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ABSTRACT

This hearing examined the impact of the Administration's 1987 budget proposal on child nutrition programs, which were cut significantly. A spokesperson for the Department of Agriculture testified that the proposed budget was designed to preserve benefits for those truly in need, to provide for the national defense, to maintain taxes at the current level, and to meet the deficit target called for by the Gramm-Rudman-Hollings law. As part of the budget, commodities and reimbursement for school lunch programs would be eliminated for students from families with an income of 185 percent greater than the poverty level. Other testimony and reports covered the following effects of the proposed budget among others: (1) a decrease in the number of pupils served by the School Lunch Program; (2) restructuring of assistance to schools; (3) a significant increase in the entitlement commodities received by schools with students who cannot afford to pay for lunch; (4)problems for subsidized students in schools with a high number of paying students; (5) distribution of commodities and related storage problems; (6) increased unemployment among food service workers; and (7) elimination of funding for the state level Nutrition Education and Training Program. Material submitted in addition to testimony is included. (PS)

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THE IMPACT OF THE ADMINISTRATION'S 1987 BUDGET PROPOSAL ON CHILD NUTRITION PROGRAMS

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HEARING

BEFORE THE

SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 27, 1986

Serial No. 99—143

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THE IMPACT OF THE ADMINISTRATION'S 1987 BUDGET PROPOSAL ON CHILD NUTRITION PROGRAMS

THURSDAY, FEBRUARY 27, 1986

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ELEMENTARY, SECONDARY,
AND VOCATIONAL EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Martinez, Owens, Goodling, Gunderson, Chandler, and Fawell.

Staff present: John F. Jennings, counsel; June L. Harris, legislative specialist; staff present from the Committee on Education and Labor: Mary Jane Fiske, senior legislative associate.

Chairman HAWKINS. The Subcommittee on Elementary, Secondary, and Vocational Education is called to order. The Chair will use this time to make a statement. We do expect other members to be present. I am very pleased to have Mr. Chandler representing the minority side with us this morning, and others on the way.

The purpose of the hearing this morning is to examine the impact of the administration's 1987 budget proposal on child nutrition programs. It is clear to me that the programs which will be addressed today are in our Nation's best interest. It is certainly demonstrated by wisdom that, by exempting child nutrition programs from the arbitrary and counterproductive effects of the Gramm-Rudman-Hollings Act, the Congress intended these programs to be protected.

Child nutrition programs have already borne a disproportionate share of budgetary cutbacks. In the Reconciliation Act of 1981, Congress reduced funding for these programs by $1.5 billion, 4 percent of the total cuts enacted, even though child nutrition programs only represent one-half of 1 percent of the total Federal budget.

According to a Congressional Budget Office report, the cumulative effect of these cuts between fiscal year 1982 and 1985 was $5.2 billion. Reports have shown that, as a result of these cuts, some 3 million fewer children and 2,700 fewer schools participated in the programs. One-third of these children were from low-income families.

It has been estimated that, if the President's 1987 budget proposals for child nutrition is enacted, it will force approximately 10,000

to 15,000 schools off the National School Lunch Program, and will affect anywhere from 5 to 8 million children now participating in the National School Lunch Program.

In addition to school lunch, I feel certain that Mr. Bode will review a number of other nutrition programs and discuss how they will be affected.

It is very ironic that at the same time the administration proposes reductions in child nutrition programs, it is also calling for national excellence in education across the country. We need to make it unmistakably clear to the administration that, if a child is hungry, ill nourished, and sick, there is not much motivation to do anything, let alone sit in a classroom and strive for educational excellence.

As we are well aware, there is the strong push to reduce the Federal deficit. While I support pursuing these policies which will balance the Federal budget, it must not be done at the expense of our children.

We are pleased this morning to have a number of expert witnesses present. Before asking those witnesses to testify, I would like to see if Mr. Chandler has some expression that he wishes to offer at this time with respect to the subject matter of the hearing this morning.

Mr. Chandler.

Mr. CHANDLER. Well, thank you, Mr. Chairman. I have no prepared statement. I simply would like to say that I appreciate your leadership in holding these hearings, and to apologize to those present for the fact that I must leave by 10 o'clock. The unfortunate fact of congressional life is that I am typical in having two subcommittee meetings starting at 9:30, another at 10; and that's the reason for the sparse attendance here this morning, not a lack of interest on the part of any member.

I know that Mr. Fawell is here, and there will be others coming. So again, thank you, Mr. Chairman. I know that we are going to create here an important record that will be useful in our deliberation, and the lack of attendance should not be a concern to those here today.

Chairman HAWKINS. Thank you, Mr. Chandler. May the Chair also note that Mr. Goodling, the ranking minority member, was in attendance earlier. Mr. Goodling is involved in budget discussions this morning with the Budget Committee. He's a very strong supporter of these programs, and he and I agreed that his attendance in the Budget Committee might help the programs a lot more perhaps than his being in attendance at this hearing. We may expect him, however, sometime during the course of the hearing.

I now recognize Mr. John Bode, the Assistant Secretary for Food and Nutrition Service of the U.S. Department of Agriculture. Accompanying Mr. Bode is Mr. George Braley and Mr. Tom Sullivan, also from the Department.

Mr. Bode, we look forward to your testimony, and you may at this time address it as you deem appropriate. We do have the prepared statement. You may follow that, because it isn't extremely long, or deal with it as you so desire.

TESTIMONY OF JOHN BODE, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. BODE. Thank you, Mr. Chairman. I appreciate the opportunity to be here this morning. We would be pleased to work closely with the members of the committee in the days ahead, as we press forward to meet the difficult challenge of providing assistance to those in need while bringing Federal spending under control and thereby removing the last remaining obstacle to a future of growth and prosperity, in this country.

As you mentioned, Mr. Braley and Mr. Sullivan are with me here today. We're pleased to talk about the President's 1987 budget that is now before you.

It is designed to accomplish four key goals. It will preserve benefits for those truly in need. It will provide for the national defense. It will not raise taxes, and it will meet the $144 billion deficit target called for by the Gramm-Rudman-Hollings law.

The proposed budget will protect essential programs for low income families, and it will not cut Social Security.

The Food and Nutrition Service, through State and local agencies, administers a wide range of programs.

Chairman HAWKINS. I'm not so sure that we are hearing you as well as we could. Are those in the rear of the room able to hear the witness? In order for them not to lose the benefit of what you are saying, could you pull the microphone closer, and let's see if that operates.

Mr. BODE. Yes, sir. I wonder if that's a little better?

Chairman HAWKINS. Yes. I think so. Thank you.

Mr. BODE. The Food and Nutrition Service administers a number of programs through State and local agencies. These programs are designed to meet family food needs, the food needs of individuals with special nutritional requirements, and the food needs of persons in certain institutional settings.

Rather than reading the entire list, and it's a lengthy one, of food assistance programs administered by the Food and Nutrition Service, let me just note that the programs under the jurisdiction of this committee are important but only part of our total food assistance effort.

For fiscal year 1985 these programs totaled $18.5 billion, not including the distribution of bonus commodities which brings the program level to over $20 billion. We currently estimate that Federal expenditures will be $18.7 billion in fiscal year 1986.

In order to improve targeting of these programs to persons in greatest need, we are proposing to discontinue subsidies to schools and institutions for meals served to participants from nonneedy families in all child nutrition programs. We cannot justify investing scarce resources in subsidies for households with incomes above 185 percent of the poverty level, projected to be $20,400 for a family of four in 1987. They are certainly capable of financing the full cost of their children's meals.

In the Child Care Food Program, first, we propose reintroducing an income eligibility test for family day care homes in order to discontinue subsidies to children from families with incomes above 185 percent of the poverty level. Such a means test existed prior to

1980, and its removal has resulted in the present distribution of program participation, in which two-thirds of the participants come from families with incomes greater than 185 percent of the poverty level.

This change will rectify an inequitable situation in which upper income children can receive free meals in homes, while in centers their subsidy is based on income eligibility. This proposal to means test benefits in family day care homes will save $173 million in fiscal year 1987.

Consistent with this proposal, we are also proposing to discontinue subsidies for meals served to participants from households with incomes above 185 percent of the poverty level in the lunch and breakfast programs and child care centers. The proposals would be effective on July 1, 1986, in schools, and on October 1, 1986, in the Child Care Food Program, to coincide with the school year in the July 1 case. These two proposed changes would produce more than $705 million in savings for fiscal year 1987 without affecting children from lower income families.

A further proposal would make the Summer Food Service Program meal subsidies comparable to those for free meals in the school lunch, school breakfast and child care food programs. We would also discontinue special per meal administrative rates. No other child nutrition program provides special, local administrative subsidies. Many summer feeding programs are now operated by schools, which should be able to produce summer lunches or school lunches at the same cost.

We propose to eliminate the Nutrition Education and Training Program. This $5 million program has served the purpose of establishing nutrition education activities at the State level; ongoing program responsibility should now be assumed by States. These moneys are used primarily to pay salaries of State personnel. Yet States also receive State administrative expense grants which can be used for that purpose.

Of course, that proposal does not reflect any lack of determination on our part for continuation of nutrition education activities as a whole. We have started several nutrition education undertakings and are pleased with their success.

We propose to eliminate the special fund for State Child Care Food Program audits. The Uniform Single Audit Act of 1984 requires operations receiving Federal funds to arrange for organizationwide audits. This proposal would save $8 million.

Consistent with our proposals for the Child Nutrition Programs, for the Special Milk Program we propose legislation to discontinue subsidies to schools and institutions for milk served to students from households whose income exceeds 130 percent of the poverty level. The program would, of course, continue to pay the full cost of milk served to children from families below 130 percent of the poverty level.

For 1987 we are requesting $1.6 billion for the WIC Program, $57 million above the 1986 appropriation provided by Congress. This funding level will enable the Department to continue to provide assistance to an average of 3 million participants each month. We also are working with States to encourage them to target their WIC grants to the highest risk participants.

Of course, today and for several years now, at least one of every five babies born in the United States is in the WIC Program.

We will also continue our efforts to improve program management so as to ensure the maximum return on the taxpayers' investment. At the Food and Nutrition Service we have embarked upon a major program of computerization which we expect will greatly improve the agency's ability to handle the complexities associated with all the food programs.

Mr. Chairman, in summary, our budget proposals recognize the necessity to continue a strong child nutrition effort. The changes we have offered are equitable and appropriate for these times, when essential spending for the needy must be maintained while subsidies to the nonneedy must be curtailed in order to achieve fiscal responsibility.

That concludes my statement. Of course, I'd be pleased to answer any questions.

[The prepared statement of John W. Bode follows:]

TESTIMONY OF JOHN W. BODE, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, and members of the committee, thank you for today's opportunity to present the administration's child nutrition proposals for fiscal year 1987. We would be pleased to work closely with members of the committee in the days ahead as we press with members of the committee in the days ahead as we press forward to meet the difficult challenge of providing assistance to those in need while bringing Federal spending under control and thereby removing the last remaining obstacle to a future of growth and prosperity.

I am accompanied today by George Braley, our Deputy Administrator for Special Nutrition Programs and by Thomas Sullivan, my special assistant.

The President's 1987 budget is now before you. It is designed to accomplish four key goals: It will preserve benefits for those truly in need; it will provide for the national defense; it will not raise taxes; and it will meet the $144 billion deficit target called for by the Gramm-Rudman-Hollings law.

This proposed budget will protect essential programs for low-income families and it will not cut social security.

The Food and Nutrition Service (FNS), through State and local agencies, administers a wide range of programs which provide food assistance to individuals. These programs are designed to meet family food needs, the food needs of individuals with special nutritional requirements, and the food needs of persons in certain institutional settings.

Programs administered by FNS include: The Food Stamp Program; the Puerto Rico Nutrition Assistance Grant; the National School Lunch Program; The School Breakfast Program; the Special Milk Program; the Child Care Food Program; the Summer Food Service Program for Children; the Nutrition Education and Training Program; the Special Supplemental Food Program for Women, Infants, and Children; the Commodity Supplemental Food Program; the Temporary Emergency Food Assistance Program; the Nutrition Program for the Elderly; and the Needy Family Program on Indian Reservations and the Trust Territory.

For fiscal year 1985 these programs totaled $18.5 billion, not including the distribution of bonus commodities. We currently estimate that Federal expenditures will be $18.7 billion in fiscal year 1986.

In order to improve targeting of these programs to persons in greatest need, we are proposing to discontinue subsidies to schools and institutions for meals served to participants from nonneedy families in all child nutrition programs. We cannot justify investing scarce resources in subsidies for households with incomes above 185 percent of poverty—projected at $20,400 for a family of four in 1987. They are certainly capable of financing the full cost of their children's meals.

In the Child Care Food Program we propose reintroducing an income eligibility test for family day care homes in order to discontinue subsidies to children from families with incomes above 185 percent of poverty. Such a means test existed prior to 1980, and its removal has resulted in the present distribution of program participation, in which two-thirds of the participants come from families with incomes

greater than 185 percent of poverty. This change rectifies an inequitable situation in which upper income children can receive free meals in homes, while in centers their subsidy is based on income eligibility. This proposal to means test benefits in family day care homes will save $173 million in fiscal year 1987.

Consistent with this proposal, we are also proposing to discontinue subsidies for meals served to participants from households with incomes above 185 percent of the poverty level in the School Lunch and Breakfast Programs and child care centers. The proposals would be effective on July 1, 1986 in schools and on October 1, 1986 in the Child Care Food Program. These two proposed changes would produce more than $705 million in savings for fiscal year 1987 without affecting children from lower-income families.

A further proposal would make the Summer Food Service Program meal subsidies comparable to those for free meals in the School Lunch, School Breakfast and Child Care Food Programs. We would also discontinue special per meal administrative rates. No other child nutrition program provides special, local administrative subsidies. Many summer feeding programs are now operated by schools, which should be able to produce summer lunches and school lunches at the same cost. This change would achieve 1987 savings of about $21 million.

We propose to eliminate the Nutrition Education and Training Program (NET). This $5 million program has served the purpose of establishing nutrition education activities at the State level; ongoing program responsibility should now be assumed by States. These moneys are used primarily to pay salaries of State personnel. Yet, States also receive generous State administrative expenses (SAE) grants which can be used for this purpose.

We propose to eliminate the special fund for State Child Care Food Program audits. The Uniform Single Audit Act of 1984 requires operations receiving Federal funds to arrange for organizationwide audits, thus making obsolete special State funding provisions, originally set up to finance program specific audits. Savings from this provision would be approximately $8 million in 1987.

Consistent with our proposals for the Child Nutrition Programs, we will propose legislation for the Special Milk Program to discontinue subsidies to schools and institutions for milk served to students from households whose income exceeds 130 percent of poverty. The program would, of course, continue to pay the full cost of milk served to children from families below 130 percent of poverty.

For 1987 we are requesting $1.6 billion for the WIC Program—$57 million above the 1986 appropriation provided by Congress. This funding level will enable the Department to continue to provide assistance to an average of 3 million participants each month. We also are working with States to encourage them to target their WIC grants to the highest risk participants.

We will also continue our efforts to improve program management so as to ensure the maximum return on the taxpayer's investment. At FNS, we have embarked upon a major program of computerization which we expect will greatly improve the agency's ability to handle the complexities associated with all the food programs.

Mr. Chairman, in summary, our budget proposals recognize the necessity to continue a strong child nutrition effort. The changes we have offered are equitable and appropriate for these times, when essential spending for the needy must be maintained while subsidies to the nonneedy must be curtailed in order to achieve fiscal responsibility.

This concludes my formal remarks. I will be pleased to respond to questions from the members of the committee.

Chairman HAWKINS. Well, thank you, Mr. Bode. First, Mr. Bode, I have a number of letters from school food service directors representing various States, including New York, Kansas, Arkansas, Louisiana, South Carolina, Minnesota, and particularly one here from Mr. Clifford Morris, director of the school food services for the State of New Mexico. He indicates, as the other letters do, that without section 4 in the State of New Mexico 36 of the 88 public school districts would likely close their school lunch program within 1 year; that is, if the President's budget is approved.

May I ask you, therefore, representing the Department, what do you see as the consequences resulting from the elimination of section 4, not only the State of New Mexico but for other school districts across the Nation?

Mr. BODE. I guess, Mr. Chairman, we do not have the same assessment of the effect of the proposal as the gentleman from New Mexico does. For example, in New Mexico under our proposal 92 percent of the Federal assistance that's provided now would be provided after our proposal is enacted.

We calculated the subsidies that will continue to be provided to New Mexico, and 92 percent of the funding would continue to come through. That is not surprising in light of the fact that 15 percent of the funding provided through the School Lunch Program is provided for meals served to students from middle- and upper-income families.

So schools would be foregoing a very large percentage of the total Federal assistance they receive now to drop out of the program, in light of this modest reduction associated with discontinuing the entitlement assistance for meals served to middle- and upper-income children.

If I could, I'd like to mention one other thing. That is, we intend to continue to provide to schools for meals served to middle- and upper-income children as well as for use in the a la carte system, as is done now, bonus commodities, cheese, butter, nonfat dry milk, rice, and honey are bonus commodities at this time.

Schools are now making use of those commodities to the tune of about 9 cents per meal served. That is a continued form of Federal assistance that would be provided after our proposal is enacted.

Chairman HAWKINS. I realize that in terms of dollars, you look very good. However, have you considered the effect of an increase in the price of a meal, even to a moderate and the higher income student? As experience has proved in the various States, and testimony before this committee, the impact seems to be that there is a distinct reduction which can be anticipated, and I'm wondering whether or not the Department is anticipating that also.

It seems to me that taking into consideration comments by those who actually administer the programs they realize that, while philosophically it may sound good to say that students who can afford to pay should pay, that the impact on the infrastructure of the School Lunch Program itself is adversely affected if you take away the paying students. I believe that one of the members of the committee indicated at one point: "If you take away this leader from the idea, then it simply robs the district of the program for those who are needy."

So, in effect, the result is a lowering of the number who will be served. From experiences that we've had on this committee in the last several years, those who have maintained these concepts have proved to have been right, and I think the Department has proved to be somewhat off its mark in terms of what actually happened.

Now have you taken these other ideas, these other concepts, into consideration?

Mr. BODE. Yes, sir. We clearly differ with the assessment some others have given on the school dropout issue. As the chairman is well aware, I realize there are two forms of dropouts that are frequently discussed. One concerns schools, and that is why I alluded earlier to the very major amount of funding that would remain under our proposals available for schools.

Even the most affluent schools that arguably would feel the greatest pressure to drop out would continue to receive a large percentage of the Federal assistance that they previously enjoyed. So we do not feel that a school dropout would occur.

We're aware there was some school dropout after the 1981 changes. I believe that there are many factors that compound that issue, and a few of the ladies and gentlemen who disagree with us on this proposal have taken account, for example, of private school dropout which was part of the law, of course, when a limitation was placed on private schools with tuitions over $1,500 a year tuition.

As far as dropout among individuals, we recognize that there would be dropout among individuals by definition, under our proposal, since the assistance for meals served to the middle and upper income would be discontinued; but even assuming that the cost, the 25-cent reduction in reimbursements, would be passed through to those children and continued to be provided, a large portion of the income would be restored. Revenues for the school would be restored by increased receipts from that 25-cent charge.

That would entail—according to the assumptions used by the American School Food Service Association—don't think it's good to get into a big numbers quarrel. Let's take those as an assumption for the moment. That would entail a 25-percent reduction in the number of those middle- and upper-income children going through that school line. Still, a fair number of those children who did not go through that line would likely go through the a la carte line where there's assistance provided indirectly in the form of bonus commodities from the Federal Government, and also the a la carte items are generally priced well above the level of the cost for those foods, and a la carte lines—I think the American School Food Service Association would agree with me—do tend to provide significant support for the overall school food service effort.

Chairman HAWKINS. Of course, we're speculating somewhat or gambling on the future as to what the inflation factor will be, and also the number of children who will be in one income classification or another. That hasn't really proven to be very good. Speculation hasn't helped out.

Now assuming that the Department has incorect estimates for 1987, would you be agreeable to making adjustments based on the actual experience? It has been my experience in the Congress that, once a mistake is made, the children are the ones who will suffer and not the policymakers. Now would you be willing to admit that the Department has been inaccurate in its projection and that recommendation will be made, either in a supplemental or some other adjustment to correct those inaccuracies so that a mistake is not passed on to those who are supposed to benefit?

Mr. BODE. Mr. Chairman, of course, I'd be very pleased to commit to you that we would reassess our proposals in light of any inaccuracy in our projections. I don't want to give you the impression that I'm guaranteeing the administration will do an about-face if we're off on any aspect of our projections. I, of course, don't have the authority to do that. But I would pledge to you that I would see to it a reassessment would be made.

Chairman HAWKINS. Well, as you know, we're now in conference with the Senate on the nutrition bill H.R. 7. In that connection, I notice in your statement on page 5 you said that you are requesting $1.6 billion for the WIC Program. Now while that may be $57 million above the 1986 appropriation, we have, as you well know because you have been in attendance at those conference meetings, that we have agreed to such sums.

Now you will be requesting $1.6 billion, and some individuals have advised me that this proposal may lead to some 30,000 children or persons being eliminated from the WIC Program. Now assuming that $1.6 billion will not provide for current services, as we understand you maintain that it will. Let's assume, for example, that it turns out that the amount proposed will not maintain current services but will actually eliminate some of the beneficiaries from that program. Are we to understand that adjustments will be made to bring it in line with the theoretical concept which you maintain the Department is pledged to preserve?

Mr. BODE. Mr. Chairman, our approach to the WIC Program is—and the approach we would take to other grant programs—as you may be aware, our budget proposal of $1.617 billion for the WIC Program is some $5 million above the Congressional Budget Office baseline. It's—as I have mentioned and you have noted—$57 million above this year's funding level.

We felt that it is an aggressive level of funding in that—in this time of very tight budget situations, we are increasing the funding for this grant program. In light of that, that is the proposal we have made; and I do not foresee any adjustments being recommended to any modifications in our proposal.

It does provide for essentially a stable management of the program, and I think we can do a better job—with some stability in the WIC Program—of targetting assistance on those in greatest need, those in the highest priority groups.

I know that you share that concern, that——

Chairman HAWKINS. Well, I share that concern, but if the program is improved I would hope that we add additional individuals from the target group who are not now being served. None of these programs is serving more than a certain percentage of the persons who should be benefiting from the program. And while I recognize that some improvements can be made and some improvements have been made, I think over a period of time, there comes a time when you can't do anymore with less money. You've got to have additional money if you intend to increase the program and have it reach other persons who would benefit from it. If it's of benefit to some, then it would seem to me, we have no logical or moral reason to say that others should not benefit from it.

So we would hope that sometimes the benefits would be passed on to others, and that we not cut the program merely because some improvement has been made in it.

Let me, however, at this time, Mr. Bode, yield to some of the other members of the committee. Mr. Fawell. I believe that microphone is dead, Mr. Fawell.

Mr. FAWELL. Thank you again, Mr. Chairman.

The only question that I wanted to put to you is that there appears to be some $15 billion of additional defense expenditures

which, according to CBO, the administration has overlooked in its 1987 budget. This would seem to worsen the excess deficits over the $144 billion targeted deficit under Gramm-Rudman.

Have you had a chance to review this matter, and is it going to impact any further in regard to this particular area which is the subject matter of your testimony this morning?

Mr. BODE. I'm aware there is a Washington Post story on the matter, Congressman; but I'm afraid I have no special information along that line. I would be pleased to see to it that a report is provided to you on the matter, as soon as that's possible, but since we're dealing a bit out of my area I really can't give you a timeframe. I'll get the word passed along and urge a quick report to you on the matter.

[The report follows:]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, DC, February 12, 1986.

Hon. WILLIAM H. GRAY III,
Chairman, Committee on the Budget,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The President has asked me to respond to your letter concerning National Defense outlay estimates included in the FY 1987 budget. I can assure you that our estimate of $282.2 billion for FY 1987 National Defense outlays represents our best judgment at this time.

As you know, estimating outlays is a very complex task and depends not only on program composition and historical outlay rates but also on a variety of factors external to the defense program. Also, you will recall that for each of the past several years, OMB actually overestimated defense outlays—by $4 billion in 1983, $10 billion in 1984, and $2 billion in 1985. Our current estimates take into account and compensate for the causes of these recent overestimates. Moreover, we have considered the effect of the continuing growth in the economy that could shift corporate attention from defense to non-defense orders, the possible delays in deliveries that might result from procurement reforms instituted by the Administration and legislated by Congress, and possible delays and uncertainties associated with the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings).

As a benchmark, it should be noted that the budget estimates of defense outlay rates are consistent with those assumed in the 1986 Budget Resolution approved by Congress. In fact, the rates assumed in the budget are somewhat higher than those in the Resolution. You will recall that the Budget Resolution outlay level for FY 1987 was $285.2 billion—$3 billion more than our current estimate. This assumed, however, a FY 1986 budget authority level of $302.4 billion and a FY 1987 level of $323.4 billion. The final FY 1986 level, after Congressional action and the 1986 Gramm-Rudman-Hollings sequester, is only $286.1 billion, or $16.3 billion less than the Resolution, and the proposed FY 1987 level is $320.3 billion, or $3.1 billion less.

The FY 1987 outlay reductions resulting from these FY 1986 and FY 1987 budget authority reductions are about $8 billion. Based on these considerations alone, our FY 1987 outlay estimates would have been $5 billion lower than the $282.2 billion figure contained in the President's budget.

Regarding your comment that the Congressional Budget Office (CBO) estimates of 1987 defense outlays are $14.7 billion higher than those of the Administration, I have not yet received the CBO analysis, nor, of course, have I had a chance to review it. That, in view of the information contained above CBO would provide such estimates comes something as a surprise in view of their raising no questions about the CBR estimate of last August (C.f., CBO, the Economic and Budget Outlook; August, 1985; p. 70).

I certainly agree with you that we must use realistic and even conservative estimates in our budget planning, especially in view of Gramm-Rudman-Hollings. I believe that we have done so to the best of our judgment.

Sincerely yours,

JAMES C. MILLER III, *Director.*

Mr. FAWELL. All right. Obviously, you don't find $15 billion more to cut too easily, as we well know. We're cutting to the bone, as I'm

sure you will agree also. It's difficult for everybody, and I recognize it's most difficult for you to labor under these circumstances.

Mr. BODE. An unpleasant surprise.

Mr. FAWELL. Well, I would welcome any communications on the subject. I'm sure the entire committee would.

Thank you, Mr. Chairman. That's all.

Chairman HAWKINS. Mr. Martinez.

Mr. MARTINEZ. I really don't have any questions, Mr. Chairman, except an observation, you know. And it seems that the root of the problem is perception, the perception that certain people in the Administration have of what actually is happening out there with these moneys. I think the chairman touched on it, and that is the fact that none of these programs have really reached everybody they could or should reach that are truly needy. It's that perception of who the truly needy are.

You know, by figures and statistics that the departments are able to come up with, they project a certain need. Well, that need extends far beyond those projections that they make. That need, if you want to go down and really examine the problem at the grassroots level, you'll find that we're not reaching even a small percentage of the people that really need to be reached.

We need to expand these funds, not cut them. Then the basic perception that we're cutting all these because of a need to be austere at a time when we have a great budget deficit. But we don't need to be austere when it comes to defense spending, under some perceived notion that we have to match weapon for weapon and system for system everything the Russians do, regardless of how superior ours are. And it's a perception of what we really need and how big that threat is, and what are the priorities.

You know, we have—last night in President Reagan's message, he talked about the need to understand this tremendous threat from the Soviets and how they, at the cost of their own people, are spending billions of dollars in defense. Well, I don't think even—he says that about Russia, and he doesn't realize we're doing exactly the same thing here. At the cost of our own people, and those people suffering, we're expending billions of dollars for defense; and as Mr. Fawell has just mentioned, we're not even making good projections about that, when we can't project what is actually spent over there.

The other fact is that over there there exists a $40 billion slush fund that grows and grows and grows and has been growing. I say, take that $40 billion slush fund and provide that money for these programs. People in these departments need to talk to the President about that and explain to him that these programs are not really reaching enough of the people right now. Cutting them back to reach even less is as disastrous as what he accuses the Russians of doing. [Applause.]

Chairman HAWKINS. Mr. Martinez, you must have brought your group with you.

Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. For a minute here, I thought I was in the wrong committee. I didn't know this was the Armed Services Committee and we were looking at the defense budget.

John, I do want to ask a couple of questions on your proposals in the budget. First of all, can you give me some idea of the number of schools that are involved in the Special Milk Program across the country?

Mr. BODE. In the Milk Program?

Mr. GUNDERSON. Special Milk Program.

Mr. BODE. We have the number, and we're digging it out, sir.

Mr. GUNDERSON. I was going to say, and——

Mr. BODE. 5,600 schools, sir.

Mr. GUNDERSON. 600 schools?

Mr. BODE. 5,600.

Mr. GUNDERSON. Are most of these schools using that program only for their kindergarten children?

Mr. BODE. Sir, we do not have it broken out by grade level. We don't have that information. Of course, we're always in a balancing act in terms of how much information we require States and schools to provide while minimizing the paperwork, we subject them to. This is one of those situations where we did not anticipate your need for that information, didn't collect it by grade level.

All I can tell you is there are 5,600 schools, and not the grade level.

Mr. GUNDERSON. Well, I think it's a fairly significant point to determine when you're talking about, in essence cutting out the program with $11.7 million in savings.

My understanding—and correct me if I'm wrong—is that the special milk really goes to two types of students. It goes to the student at the brown bag school that doesn't have a hot lunch program. It provides some kind of beverage for them, but it also goes to kindergarten students who do not participate in school lunch programs, because they're in morning or afternoon split sessions but not there all day. Is that correct?

Mr. BODE. That is correct. Of course, those—referring to the second category, the schools have flexibility in scheduling lunch periods, and those children could be receiving lunches.

Mr. GUNDERSON. Well——

Mr. BODE. Or breakfast, for example.

Mr. GUNDERSON. That's not very rational, to have lunch at 10 o'clock in the morning just so you can get the kindergarten kids into a school lunch program. I mean, most of your kindergarten programs are either morning or afternoon. They come in on the morning bus, and they leave around 11 or 11:15, or they come in at 1 or 1:30 and leave on the afternoon bus.

Mr. BODE. I guess I was thinking more in terms of an 11:30 lunch for a morning group, on a half day session, Congressman.

Mr. GUNDERSON. I'd appreciate it if you people could do some checking into really who are or are not the recipients of this Special Milk Program, because I think it's going to be very difficult to justify this kind of a cut, if I understand correctly who the targetted group is who would receive the benefits of that at the present time.

Mr. BODE. Yes, sir.

SPECIAL MILK PROGRAM AND KINDERGARTEN PARTICIPATION

During fiscal year 1985, nearly 167 million half pints of milk were served to children participating in the Special Milk Program (SMP). Of that number, 159.7 million half pints were served to paying children. There are currently 5,413 schools participating in the program nationally.

We are able to obtain kindergarten data for 28 States. Some of those States report having both public and privately run kindergartens, while the remaining States have one or the other. In the 11 States which reported public kindergartens, there are a total of 448 public schools participating in the SMP, of which 361 schools (80.6 percent) include kindergarten classes.

Private kindergartens are reported in 25 of the 28 States. We received a total count of 1,413 private schools. Of that number, 1,074 (76 percent) include kindergarten classes.

Most kindergartens are part of a larger school operation, usually an elementary school. Although we do not have specific information on each school, we believe that kidnergartners have the same access to SMP milk as older children.

Mr. GUNDERSON. I would facetiously tell you that my farmers would say we ought to take the Consumer Education Program people and put them on to OMB or USDA if they want to cut out the School Milk Program; but I won't be all that serious on that issue.

Let's get into the major Child Nutrition Program, really our School Lunch Program. We have a cash subsidy of about 12½ cents. Is that correct?

Mr. BODE. Yes, sir.

Mr. GUNDERSON. And a commodity subsidy of 11¾ cents?

Mr. BODE. Yes, sir.

Mr. GUNDERSON. And you are proposing eliminating both of those for students above a certain percent level income?

Mr. BODE. Yes, sir.

Mr. GUNDERSON. Have you done studies to determine the percent of students who participate in a school lunch program who would be above the 185-percent level? I mean, take a typical school lunch program in a typical school district——

Mr. BODE. It's approximately 50 percent, sir, nationwide.

Mr. GUNDERSON. Fifty percent of the students who would be above the 185-percent level?

Mr. BODE. Fifty percent of the children eating national school lunch, participating in the School Lunch Program, are in that category. The median family income for a family of four is over $37,000 for——

Mr. GUNDERSON. That's not my district.

Mr. BODE. For those with children aged 5 through 17 and income above 185 percent of the poverty level. So that's the group we're talking about. There the median income is $37,000. It's over $37,000.

Mr. GUNDERSON. John, I'm not totally critical of you, because I understand the budget process around here, and I understand who makes and doesn't make decisions. Coming from the Ag Committee, I think you people at USDA get unfairly beaten up sometimes for decisions that you didn't make. But don't you realistically have to say that, if you cut out the subsidy for 50 percent of the students in our hot lunch programs that that's going to have a drastic effect on the viability of those School Lunch Programs?

Mr. BODE. Sir, if——[Applause.]

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Mr. BODE. Despite what some of the vested interests think, I think there would be a significant effect, but I do not agree with some of the projections that have been made. We have a very strong level of Federal assistance that we would be continuing in the form of entitlements. That very strong assistance, for example, for a school that had 80 percent of its students in the paid category.

So we're talking about a relatively affluent area. Our figures show that this school will continue to receive 86 percent of its current income throughout Federal care and commodity assistance and student's payments. This school would retain 66 percent of the projected 1987 level of Federal cash and commodity assistance.

I think that's a significant level of assistance that would be continued. Furthermore, the reductions would be targetted in an area where it would be affecting households that would be best able to provide a greater level of support for the meals served to their children.

I don't think it's appropriate that our children should be looking down the road at the consequences of the budget deficits when my child, for example, would be getting subsidized lunches. I believe, personally as well as officially, that it's appropriate that we tighten our belt in this manner.

Mr. GUNDERSON. Well, I mean, I have no false illusions about the challenges that face us in this budget. I was told yesterday, if you just keep defense at its present level or with an inflation growth, no real growth in defense spending, you are still going to have to come up with something like $2 to $4 billion in savings in the education area.

I think we have to look at this program with close scrutiny. Yet I have to tell you that I think your proposal does go way too far. I mean—I think it would mean the demise of many of our School Lunch Programs. I think, in my own school districts. What you are going to do with those students is you are going to send them downtown to the bakery to have a can of Coke and a donut, and I don't think that's the way we ought to go in terms of our nutrition programs in this country through our schools.

Let me get at what I think. I talk to my school nutrition people, as I talk to my administrators. You've got this 12½-cent cash subsidy. You've already got the 11¾-cent commodity subsidy. You've got the commodities, for the most part, John. Why are you proposing to cut them——

Mr. BODE. No, sir; I'm sorry. May I say a little more about that, because I apparently have allowed a misimpression to develop, or I've given a wrong impression.

The 11¾-cent commodities that we're referring to here are the so-called section 32 commodities almost exclusively. They are entitlement commodities. That does not include the cheese, butter, nonfat dry milk, the bonus commodities. So we're talking about two different groups of commodities.

The entitlement commodities are, generally speaking, acquired specifically for use in this form. What we do, as you know, is we try to make purchases that are timed in a manner that will be of greatest assistance to farmers, and buy commodities off depressed markets. That's meat, poultry, fruits, and vegetables, almost exclu-

sively; help the farmers and then pick up a bargain for the School Lunch Program.

In addition to that entitlement commodity assistance, we provide about 9 cents a meal on average in the form of bonus commodities, the cheese, butter, nonfat dry milk. That would be continued, and we—I think, would continue to provide a significant level of Federal assistance.

As you know so well because of your leadership in the dairy area, our stockpiles are large there, and that assistance will be continued, not only for use in the regular School Lunch Program but we've encouraged schools to use it in other forms of school food service like the ala carte line. And that is how it can indirectly provide a significant level of continued assistance for school lunch.

I realize it's a little involved. Could I do a better job of explaining it.

Mr. GUNDERSON. Well, I understand where you're coming from, but the fact is that the commodity assistance that you provide our School Lunch Program is so valuable, because, frankly, they can't get that amount of commodity for that same amount of money back at a local small school district. What we need to do here, everybody in the room on both sides of this issue—we need to find some reasonable ways to keep the School Lunch Program a viable program and still deal with our deficit.

I won't support cutting the commodities at all. We may have to reduce the cash subsidy a couple of cents. I'll be honest about that. But we can't cut the commodity subsidy.

Mr. BODE. Mr. Gunderson, we are proposing in our proposal a rescheduling of the reimbursement. So the level of commodity assistance that's provided would be essentially maintained, but the commodity assistance for meals served to the middle and upper income students would not—a greater percentage of the assistance provided for the students from families with income below 185 percent of the poverty level would be in the form of entitlement commodity.

So the mix would be changed, so the overall level of commodity assistance would be maintained, speaking of entitlement commodities at this point.

Mr. GUNDERSON. One final question. I appreciate your indulgence, Mr. Chairman.

As a result of the farm bill and the whole herd buy-out program, in the dairy area, which is paid for by dairy farmers, I would point out, through assessments—we will have the Government purchasing 400 million pounds of red meat during the next 18 months, from April 1 of this year through October 1987.

That's 400 million pounds of additional red meat that the Government will buy. The intent is to use that in our nutrition programs and in our military feeding. Have you people made any plans at this point in time as to how you will use that additional red meat which will be purchased for you, frankly, by the dairy farmers of this country in distribution across the country?

Mr. BODE. Well, Mr. Gunderson, we have been working on that. It presents a difficult problem for us in terms of trying to manage the purchases in a manner that limits the budget exposure while at the same time does not make a mess of our commodity purchase and distribution activities for the lunch program.

As I'm sure you realize, that provision provided funds from section 32, for both regular and emergency purchases as well as commodity credit corporation funding. We're trying to work through the means of accomplishing that.

I would be pleased to provide you a report just as soon as that is settled. I've been working with Dan Amstutz, our Under Secretary, as well as Alan Tracy, the Acting Assistant Secretary for Marketing and Inspection Services, since their agencies are also directly involved in this, and we'll be meeting again on it very soon.

I'm eager to get it straightened out quickly, since that all needs to be done.

[The information follows:]

DEPARTMENT OF AGRICULTURE,
Washington, DC.

Hon. STEVE GUNDERSON,
House of Representatives, Washington, DC.

DEAR MR. GUNDERSON: Section 104 of the Food Security Act of 1985 (Avoidance of Adverse Effects of Milk Production Termination Program on Beef, Pork, and Lamb Producers) requires the United States Department of Agriculture (USDA) to purchase and distribute 400 million pounds of red meat, 200 million pounds through domestic outlets and the remainder through foreign outlets. The provision is intended to offset an anticipated surplus of red meat caused by the dairy diversion program. The law stipulates that red meat purchases must be in addition to normal acquisitions and that they not reduce normal purchases of Section 32 commodities, including nonmeat items. All purchases must occur in a 18-month period between April 1986 and September 1987.

The law directs that Section 32 funds, including the contingency funds, and other funds available for commodity distribution and nutrition programs as well as Commodity Credit Corporation (CCC) funds, be used to purchase the products for domestic distribution.

The 200 million pound acquisition will cause a tremendous increase in the volume of red meat purchased by USDA. The Agricultural Marketing Service has determined that USDA would normally purchase 125-145 million pounds per year given the current market conditions. This is based on the historical purchase record as well as expected school requirements, projected increases in market prices and decreases in beef supplies (exclusive of the termination program). This figure does not reflect high purchases of recent years caused by other than normal market conditions such as the Dairy Diversion Program, the Jobs Bill and the need to replace a large quantity of recalled beef under the National School Lunch Program.

We plan to make these purchases using CCC funds. In this way, planned purchases of other commodities will not be disrupted. Starting in April, the Department will purchase large quantities of canned and frozen ground beef. Subsequent purchases of additional red meat products will be determined based on market conditions.

We appreciate your interest in the management of these important activities.

Sincerely,

JOHN W. BODE,
Assistant Secretary for Food and Consumer Services.

Mr. GUNDERSON. We need to have that in place by the first of April, that whole program. So, yes, I'd be interested in seeing that.

Thank you, Mr. Chairman.

Chairman HAWKINS. Thank you, Mr. Gunderson.

Mr. Owens.

Mr. OWENS. I have just one question, Mr. Bode. That is, I'm certainly in favor of greater use of commodities to improve the quality of the program and increase the number of youngsters that can be served; but I have problems with the haste with which we are contemplating great cash savings as a result of more commodities.

Have you made an assessment of what it will mean to groups receiving the greater number, amounts, of commodities in terms of

storage space and their security? Do you contemplate some kind of streamlined, computerized inventory control system whereby your Department will guarantee that the delivery to these locations is going to be done on a basis which would not create a greater need for more storage space and create tremendous security problems?

Mr. BODE. Congressman, I appreciate your concern. We have viewed the local storage issue as, to a large extent, one of schools needing to have space to store food, whether the food is from commodity channels or other channels. We appreciate the need for sensitivity in dealing with schools so that they don't get the year's supply of ground beef at one point and another commodity at another time.

What we're trying to do in addressing that problem—and I appreciate your sensitivity to that fine point in the program—is provide increased technical assistance to States as well as local schools. We've had a very aggressive effort underway in that regard. That is in part why we have tripled, over the last several years, the value of bonus commodities that's being used, by increased technical assistance.

It has helped cut the cost of handling commodities, streamlined those activities somewhat, and helped schools make better use of donated foods.

I realize that we need to do more in managing the commodity activities. There are further improvements to make. We've been pleased to work with the American School Food Service Association in that regard. They're not shy in providing us some suggestions, as I wouldn't want them to be. So I think we've come a good ways.

It can be managed, and further progress can be made.

Mr. OWENS. You're saying that you think you're on top of the problem, that you now have a technical assistance program in place which is taking care of this problem?

Mr. BODE. Our technical assistance program has been in place for a couple of years now. We intend to continue that technical assistance. More progress can be made.

The schools that would be most affected by the change in the mix of commodities in the reimbursement are those schools with the lowest percentage of paid students. Those schools at present receive—of course, nationally about 20 percent of the Federal assistance that's provided in the School Lunch Program is in the form of entitlement commodities. Those schools receive a little over 8 percent of their assistance, Federal assistance, in the form of commodities.

So we feel that, even though it would mean at the very extreme level, those with no paid students, a significant increase in the entitlement commodities they receive, there still would be a very manageable mix.

Mr. OWENS. Thank you. No further questions, Mr. Chairman.

Chairman HAWKINS. Well, Mr. Bode, we certainly appreciate this. May I direct your attention to that chart over there. I've prepared that for all of the executive departments when they come before this committee, because they seem to be greatly concerned with the budget deficit, as all of us really are.

You did use a phrase that all of us should tighten our belts. So based on that, I would just simply like to show you that that chart represents the actual outlays in 1981, which is the pie up above, and the recommendations made in 1987 which is the pie down below.

If you will note some of the programs that we are talking about like WIC are represented in the slice which is the purple colored slice up in 1981 up above. That was slightly a larger slice than the defense. It was actually 25 percent, compared with the 23-percent slice for defense.

Down below, you see that slice for the nondefense, discretionary programs has been shrinking, and it's much smaller than the green slice for defense which is above. As a matter of fact, that green slice is expanding rather rapidly.

Now you asked us to tighten our belt, to make sure that we tell the poor people in this country, the children and others, to tighten their belts. But you can see it isn't helping reduce deficits. What it's doing is just simply transferring this money to that big slice, the green defense slice, which is growing.

So we're not accomplishing what you and other executive officers—I understand you are not really speaking primarily for the Secretary—but we hope that you catch the essence of what that is all about, that we're not reducing the deficit by cutting these programs out. What we are simply doing is transferring the money to weapons and other defense items.

I would think from that we might catch some sort of a morale builder in some of these departments not to come before this committee and try to persuade us to recommend that these programs be cut, when we're really not accomplishing what you say sometimes we are accomplishing, We're merely cutting—we should instead think in terms of human values, the number of children, the number of families, the number of people, that are being dropped every time we advocate one of these cuts.

It's not intended as a lecture, but I just wanted to use that chart since I had it prepared; and I thought it should be used. [Applause.]

Mr. BODE. Mr. Chairman, I assure you, the President's budget submission which anticipates a $144 billion budget deficit a significant reduction in the size of our deficit is a very sincere effort to reduce the size of the deficit. We've been determined to do that.

Of course, as you know so well, we were faced with a serious recession shortly after President Reagan took office, and that required some strong action, not only in the level of assistance provided in free school lunches and the change that made in our anticipated cost in the School Lunch Program, for example, but in many other programs as well.

For the very point that you are making, we have proposed that the reductions be made in a manner that would not be hitting at low-income people, and we are pleased that the level of Federal assistance in the lunch program, for example, has increased in real dollar terms faster than the rate of inflation during this administration——

Chairman HAWKINS. But not faster than defense, Mr. Bode.

Mr. BODE [continuing]. For meals served to low-income children.

Chairman HAWKINS. Not nearly as fast. We're not asking for another $50 billion, as the President did last night, for these programs. We're simply saying, if you can maintain them at the current level and if we can make some savings, show you how to make some savings, we wanted the savings to go to the ones on the program that are being dropped. We don't want that money to be transferred up above to one of those big slices. That's all we're saying.

It seems to me that's very reasonable. I'm the most conservative member on this committee. I think I'm only asking you to do what I think is common sense. I'm not even saying that it's more moral to do it. I'm simply saying it's more cost-effective. I think it makes good, common sense; and I think this committee has to advocate those principles. I would hope some of the departments do the same thing.

While you are trying to help reduce the deficit, Cap Weinberger is in the Cabinet and over across the river there in the Pentagon asking for billions of dollars, and he's succeeding.

Mr. BODE. Well, Mr. Chairman, I think Cap is trying to get a percentage of the Federal spending up. Of course, you know in 1985 defense spending—I think your chart reflects it the percentage of 1985 Federal spending that was in defense was about 26 percent. In 1970 it was 41 percent. In 1965 it was 42 percent.

What we're trying to do is—in the overall objective is to provide for security through a defense system that's sound.

Chairman HAWKINS. Well, we recognize that, but the actual increase in defense spending in that period of time has been 700 percent greater than the increase in any of the other programs that we may call nondefense programs. I think that is rather significant.

Well, Mr. Gunderson is right in saying that—we're not here to discuss defense, but we just hope that we can convince you that some of the views on this committee are worth considering, and we hope that we can work with you to reach a much more favorable conclusion than what we have done in the past.

Mr. BODE. I appreciate that. And, Congressman, we do appreciate the opportunity to testify before this committee.

Chairman HAWKINS. Well, thank you very much.

The next witnesses will consist of a panel: Mrs. Gene White, chairman—or chairperson, I guess I should say—Committee on Investigative and Public Policy of the American School Food Service Association. She is accompanied by Ms. Sharon Gibson, president of the American School Food Service Association; Mr. Ed Cooney, the acting executive director of the Food Research and Action Center; and Mr. Charlie Hughes, president of Local 372, board of education employees, District Council 37, the city of New York, and also representing the American Federation of State, County and Municipal Employees.

Ladies and gentlemen, we certainly welcome you before the committee this morning. You've heard the testimony of the Department of Agriculture, and perhaps all of us have gained something from that testimony. We look forward to hearing from you. We will call on Ms. White first to present her views.

May I ask the witnesses who have voluminous prepared statements to try to summarize them. The statements as they have been presented to us in these documents will be entered in the record just the same as if they were actually presented, but sometimes we can make better use of our time if we leave some time for questioning at the end of the opening statements of the witnesses. Ms. White, we're pleased to recognize you.

TESTIMONY OF GENE WHITE, CHAIRMAN, LEGISLATIVE AND PUBLIC POLICY COMMITTEE, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Ms. WHITE. Thank you, Mr. Chairman. Members of the committee.

I am Gene White, chairman of the Legislative and Public Policy Committee of the American School Food Service Association.

Chairman HAWKINS. Ms. White, we are having difficulty hearing you.

Ms. WHITE. I was identifying myself. Is that better now?

Chairman HAWKINS. Yes.

Ms. WHITE. Gene White, chairman of the Legislative and Public Policy Committee of the American School Food Service Association. Until recently I was director of child nutrition and the commodity distribution programs for the California State Department of Education.

Before proceeding further, I would like to introduce Sharon Gibson, president of the American School Food Service Association.

As you suggested, Mr. Chairman, I'm going to highlight the testimony, knowing that you have the full text in your packet. Also, for the record, we would like to submit nine letters from State agencies identifying the impact of the proposed cuts on child nutrition programs in those States.

Chairman HAWKINS. Without objection, the letters referred to will be entered in the record.

Ms. WHITE. Thank you, sir.

Like all Americans, we are deeply concerned about the deficit. We realize that it took 195 years for this country to acquire a $1 trillion deficit, and we are very concerned, as others are, about the fact that in the last 5 years this deficit has tripled—doubled at least, to $2 trillion.

We know that the deficit does present an overwhelming challenge for the social programs as well as many other programs. We also have great empathy for you and Members of Congress who are struggling to deal with this question.

We feel it is incumbent on all of us who support the Federal programs, particularly the social programs, to speak out until such time as the deficit is addressed in a responsible manner. That, particularly, is what we want to talk about today.

Woodrow Wilson at one time said that no one can worship God or love his neighbor on an empty stomach. We would like to expand that just a little farther to say that no child can grow physically or mentally on an empty stomach.

The proposal being made by the administration will eliminate from 10,000 to 15,000 schools and 5 to 8 million children from the

National School Lunch Program. When a school drops out of the National School Lunch Program, all children including those who are most needy and who are receiving the free and reduced price meals will lose access to that meal program.

Now this is the precise point at which we would differ from the administration's interpretation of the effect of the cuts on the children of the Nation. We go back to the year 1981 when David Stockman said there would be no dropout of schools and no dropout of children. As you noted in your opening statement, 2,000 to 3,000 schools have dropped out, and 3 million children have dropped out of the program.

We believe that these new cuts, as proposed, will have an even more disastrous effect on school dropouts and on children.

The Library of Congress study provided last year to this committee indicated that over 44,000 schools served 60 percent of their meals to children with family income above 185 percent of the poverty line. In other words, these are children in the paid meal category. We believe that all 44,000 of these schools must be viewed as being at risk from dropping out of the program.

Again, the letters that we have referenced for the record clearly show that the CRS study is conservative, and these States are estimating an even higher dropout.

I guess I would like to also respectfully challenge the administration on one other point, and that is which meals should be subsidized and should not be subsidized in this Nation. This may be a somewhat different and larger issue, but this morning I did have a very delicious $2 breakfast in the Rayburn cafeteria, a meal that would cost me $6 or $7 anywhere else.

When we talk about taking 25 cents away from the lunch or a school child, I would propose that there are some fairness issues that would go much broader than that. [Applause.]

Again, let's look at the participation trends as a result of these cuts. In 1981, before the big cut took place, there were about 26.7 million children in the program. That then dwindled to about 23 million children. We believe that if the cuts take place as proposed, school lunch participation would drop to about 15 million students a day.

We believe, and I believe a lot of parents and educators would agree, that this is the making of a national tragedy. It would be a tragedy for this generation of young people. I guess when you mentioned defense, Mr. Chairman, we have to say that certainly the best defense of this country is the strong and well educated group of future citizens.

Now the rationale for the administration's proposal is that Federal money is an upper income subsidy, something like giving food stamps to wealthy people; and, of course, this would not be justified. But to characterize Federal support received by local schools under section 4 of the National School Lunch Act as on upper income subsidy would clearly understate, you know, that there's a lack of understanding on how the program operates at the school level and how these funds are used, and of the difference between the School Lunch Program and a welfare program.

Again, let me briefly clarify these points. The so-called high-income subsidy is not a transfer payment to children or to their

parents. It is instead a grant in aid to schools. The purpose of this grant is to support the basic infrastructure money for the School Lunch Program. It helps pay the fixed charges. It really makes it possible for a school to operate a school lunch program. And once that is done, then children receive meals depending upon their income, whether that meal is free, reduced price, or paid.

While there is a tendency at the Federal level to view funds provided under section 4 and 11 of the National School Lunch Act as a transfer payment to individuals, this is certainly not true, and it's not how the program operates at the local level. All funds, from whatever source, are put into one school food service account. This includes the Federal money, the State and local cash assistance, if there is any, and the student payments as well, all going together to support this nonprofit program.

Now again going back to 1981, the School Lunch Program at that time was cut about 11 cents a meal. The proposal made this year is going to eliminate 25 cents in support, the total support. So it is, therefore, reasonable for at least us who operate the program to expect that the 1987 child nutrition cut would result in much harsher consequences than it did in 1981.

The proposed school lunch cut this year is double that of 1981. Also the administration proposes to lower the reimbursement rate for free and reduced price lunches by approximately 12 cents in cash, and then substitute an additional 12 cents in commodities.

This proposal would, of course, maintain one goal which is to fully support the level of purchase of commodities nationwide. However, the restructuring of the Federal support for the free and reduced-price school lunches would cause a major disruption of the cash flow in many schools, and this is based upon extensive discussions we have had with program operators.

Furthermore, schools would not be able again this year to reduce the quantity of food served as they did under the "offer v. serve" provision of the Omnibus Reconciliation Act of 1981.

Finally, any cost-saving efficiencies that could be made by local schools have already been made. In other words, there is no more fat left to cut out of the program.

If Congress will proceed to eliminate the section 4 funding and commodities as proposed, we believe at least two things would happen. First, there would be a significant and a dramatic increase in the price the child pays for the school lunch. Here again, we are referencing the USDA study made quite recently, which simply shows that price is the biggest single determining factor on whether a child does or does not eat at school.

Their data shows that there is 0.8-percent decrease in participation for each 1 cent reduction in the paid lunch subsidy. Now looking at that USDA data, I find it difficult to see how the administration can tell us that there would be no impact and that there would be no dropout of children.

The children that would be most affected by this proposal would be those from families with an income between $20,000 and $35,000, and poor children in the schools that could no longer afford to operate the program. Here again, we are talking about a safety net for children. When schools close their programs, even

the most needy child can't eat, and there is no safety net there at all.

Many of the middle-income families simply cannot afford a 25- to 30-percent increase in meal prices and, as a result, our projections and those of CRS together clearly document that several million lower- and middle-income children would inevitably drop out.

The second point in terms of impact is that schools in which the majority of students are paying students and where there is a very low percentage of free and reduced-price lunches—these schools would face a tremendous financial problem simply because they would receive no subsidy for 70 or 80 percent of the lunches that are being served to children in this income level that's above 185 percent. In other words, they would receive none of the basic assistance for the program in cash or commodities.

Then, as earlier noted, the poor children as well as the middle-income children would not be able to eat a school lunch.

The child nutrition programs have already done their part to help balance the Federal budget. The Omnibus Reconciliation Act of 1981 treated child nutrition programs harshly and disproportionately. While these programs represent less than half of 1 percent of the Federal budget, they received 4 percent of the cut enacted as part of the Omnibus Reconciliation Act of 1981. In short, the child nutrition programs were cut approximately 10 times greater than across-the-board freeze.

As supporters of child nutrition, we are extremely concerned by the standoff in Congress on the question of defense spending and closing tax loopholes. The School Lunch Program and other programs situated in a similar way must not become pawns in the deficit reduction game. The stakes for children are simply too high for this.

The President's tax proposals to Congress, released in May of 1985, identify the unlimited deduction for business meals as an abuse, an abuse that offends many taxpayers. The President's tax proposal to disallow the tax deduction for 50 percent of the cost of a business meal over $25, together with the proposed restriction on entertainment expenses, could lower the deficit by $1.9 billion a year by 1990. We would then suggest that, before we take away 25 cents for the meal of a school child, that it would be appropriate to tax the $100 lunches enjoyed throughout Washington, DC.

Mr. Chairman, we have spent our time here this morning addressing the administration's largest child nutrition budget cut, the elimination of support for the paying child, which in essence means the elimination of the basic support for the School Lunch Program. We would very much appreciate your making our 1986 issue paper a part of the hearing record. In that paper we address some of our other concerns, particularly our concerns for the Child Care Food Program and nutrition education and training.

In closing, Mr. Chairman, we would like very much to commend you and the other members of this committee for providing the consistent and bipartisan leadership that you have provided in the area of child nutrition. Specifically, we want to thank you for your efforts on H.R. 7.

We know that your commitment will continue, because, as you have noted on many other occasions, it must.

Thank you very much. We would be happy to answer questions. President Sharon Gibson has a brief statement.

Chairman HAWKINS. Thank you, Ms. White. Ms. Gibson, were you seeking recognition?

Ms. GIBSON. Mr. Chairman, I would just like to comment and reinforce the statement of the association. As a local director, we did lose 25 percent of our children after the 1981 cuts, and I am sure that we would lose those youngsters again.

I would also like to thank you on behalf of AFSFA for your support on H.R. 7 and for allowing us to testify today. Thank you.

[The prepared statement and letters of Gene White follows:]

STATEMENT OF THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Mr. Chairman, Mr. Goodling, members of the committee, my name is Gene White. I am Chairman of the Legislative and Public Policy Committee of the American School Food Service Association. Until recently I was Director of Child Nutrition and Commodity Distribution Programs for the State of California.

Mr. Chairman, we meet here this morning with an aura of heightened anxiety centered around the deficit. The Administration's 1987 child nutrition budget, which proposes cuts of some $775 million, is essentially the same as the child nutrition budget that the Congress rejected last year. At first blush, therefore, it might appear that those of us who are supporters of child nutrition program should be somewhat confident.

On May 9, 1985, the Senate of the United States voted in favor of amendment to the budget resolution by Senator Paula Hawkins rejecting all cuts in child nutrition. The House, during consideration of H.R. 7, also rejected any cuts in Section 4, and indeed rejected an amendment by Congressman Armey to eliminate subsidies attributable to students above 250% of the poverty line. The 1986 budget resolution allowed for a modest increase in funding child nutrition and the Gramm-Rudman legislation exempted child nutrition from the sequenstration process.

In short, there is a very strong legislative history in opposition to the Administration's child nutrition proposals. The American School Food Service Association believes, however, that we must continue to make sure the Congress is aware of the consequences of the pending child nutrition proposal and that we take nothing for granted.

Like all Americans we are all deeply concerned about the federal deficit. It took 195 years for this country to amass a trillion dollar deficit. It has now doubled, to two trillion dollars, in a short five years. The deficit presents an overwhelming challenge. It is therefore incumbent on all of us who support federal social programs to speak out until such time as the deficit is addressed in a responsible manner.

It was Woodrow Wilson who said, "No one can worship God or love his neighbor on an empty stomach." We would strongly endorse that statement and modify it to point out that no child can grow, physically or mentally, on an empty stomach. The proposal being made by the Administrative will throw 10,000 15,000 schools and 5 to 8 million children off the National School Lunch Program. And when a school drops out of the National School Lunch Program, all children, including poor children receiving a free or reduced-price meal, lose access to the meal program.

The Library of Congress study provided last year to this Committee indicated that there are over 44,000 schools which serve 60% of their meals to children with family income above 185% of the poverty level, i.e., the "paid" meal category. All of these schools must be viewed at risk of being forced from the program.

In 1980, before enactment of the Omnibus Reconciliation Act of 1981, some 26.7 million children participated in the National School Lunch Program. Participation then decreased to 23 million children, and if the current proposal is enacted, less than 15 million students may remain in the program. This would be a national tragedy—a tragedy for this generation of young people and those who follow. The rationale for the Administration's proposal is that the federal money is an "upper income subsidy", akin to food stamps for the wealthy, and cannot be justified. To characterize federal support received by local schools under Section 4 of the National School Lunch Act as an upper income subsidy indicates a lack of understanding

of how the program operates at the local level, how the funds are used, and of the differences between the school lunch program and a welfare program.

Let me briefly clarify some of these points:

The so-called "high income subsidy" is not a transfer payment to children or their parents. It is instead a grant-in-aid to schools to support the basic infrastructure of the school lunch program. It helps pay fixed charges which are part of the ongoing costs in all school food service programs. Without this support, many school districts simply could not afford to participate in the National School Lunch Program. When programs close, all children in the community, including poor children, are denied the nutritional and educational value of the program.

While there is a tendency at the federal level to view funds provided under Sections 4 and 11 of the National School Lunch Act as transfer payments to specific individuals, that is not how the program operates at the local level. All funds, from whatever source, are put into one local food service account. Federal money, state and local cash assistance (if any), as well as student payments all go to support this one nonprofit program.

In 1981, the school lunch program was cut by approximately 11¢ per meal. The proposal which has been made this year would be to eliminate approximately 25¢ per meal for the "paying child". It is therefore reasonable to expect that the 1987 child nutrition cut would result in much harsher consequences than did the 1981 cut:

1. The proposed school lunch cut is double the 1981 cut on a per meal basis, 25¢ per meal as compared to 11¢ per meal.

2. The Administration also proposes to lower the reimbursement rate for free and reduced-price lunches by approximately 12¢ in cash and substitute 12¢ in USDA commodities. This proposal would maintain the current level of total commodity purchases nationwide. However, this restructuring of the federal support for free and reduced-price school lunches will cause major disruption in cash flow problems at the local level.

3. Schools would not be able to again reduce the quantity of food served as they did under the "offer vs. serve" rule enacted as part of the Omnibus Reconciliation Act of 1981.

4. Any cost-saving efficiencies that could be made by local schools have been implemented as a result of the 1981 budget cut.

If the Congress were to eliminate Section 4 funding and commodities for the paying child, two things would happen:

First, there would be a significant and dramatic increase in the price the child pays for the school lunch. A recent USDA study on the National School Lunch Program indicated that the price of the meal is the most important factor in determining whether or not a child participates in the school lunch program. According to USDA there is a .8% participation decrease for each one-cent (1¢) reduction in the paid lunch subsidy.

The children that would be affected the most would be from families with incomes between $20,000 and $35,000, and poort children in those schools that can no longer afford to operate the program. Many of these middle-income families simply cannot afford a 25% to 30% increase in meal prices. As a result, several million lower-middle income children would eventually drop out of the program because they could not longer afford to participate.

Second, schools in which the majority of students are "paying students" and where there is a very low percentage of free and reduced-price school lunch participation, would no longer be financially able to continue to participate in the program. Schools with only 20% to 30% free and reduced-price meals, for example, would receive no subsidy for 70% or 80% of their meals. These schools, by and large, would close the program. As a result, the poor children in these schools would be disenfranchised from the National School Lunch Program.

The child nutrition programs have already done their part to help balance the federal budget. The Omnibus Reconciliation Act of 1981 treated the child nutrition programs harshly and disproportionately. While these programs represent less than ½ of 1 percent of the federal budget, they received 4 percent of the cut enacted as part of the Omnibus Reconciliation Act of 1981. In short, the child nutrition programs were cut approximately 10 times greater than an across-the-board freeze.

As supporters of child nutrition, we are extremely concerned by the standoff in Congress on the question of defense spending and closing tax loopholes. The school lunch program, and other programs similarly situated, must not become pawns in the deficit reduction game. The stakes are simply much too high.

The President's tax proposal to the Congress, released in May of 1985, identifies the unlimited deduction for business meals as an abuse that offends the average taxpayer. The President's tax proposal to disallow the tax deduction for 50% of the cost of a business meal over $25.00, together with the proposed restriction on entertainment expenses, could lower the deficit by $1.9 billion a year by 1990. We would suggest that before we take away 25¢ per meal from schoolchildren participating in the National School Lunch Program it is appropriate to tax the $100.00 lunches enjoyed throughout Washington, DC.

Mr. Chairman, we have spent our time here this morning addressing the Administration's largest child nutrition budget cut, the elimination of support for the "paying child." We would very much appreciate your making our 1986 Issue Paper a part of the hearing record, as it addresses our other concerns, particularly our concerns for the child care food program and Nutrition Education and Training (NET).

In closing, Mr. Chairman, we would like to commend you and the other members of this Committee for providing the consistent and bipartisan leadeship that you have provided in the area of child nutrition. We know that you commitment will continue because, as you have noted on many occasions, "it must."

Thank you very much. We would be happy to answer any questions that you may have.

STATE OF SOUTH CAROLINA,
DEPARTMENT OF EDUCATION,
Columbia, SC, February 20, 1986.

Hon. GUS HAWKINS,
House of Representatives, Washington, DC.

DEAR REPRESENTATIVE: As a state director of child nutrition programs and USDA commodity distribution, I am concerned about the President's 1987 proposed budget cuts for Child Nutrition Programs. The proposals, if passed, would have a devastating effect on the programs in the state of South Carolina.

The largest cut for South Carolina would be in Section 4 monies which is the basic support provided for all meals served. In South Carolina the loss of Section 4 monies would account for over 10 million dollars annually. This would have an adverse impact on all our schools, since the National School Lunch Program is in all schools. First, in those 257 schools with 30% or fewer free and reduced price meal recipients, it is likely that most districts would not be able to maintain the program for free and reduced price students only and would have to drop the program. This would affect over 201,000 students, who recieve paid, free and reducted prices meals. If the schools eliminated the programs, the free and reduced price students would not have access to meals. Schools would find it no longer economically feasible to provide a meal service for only a few students.

Second, school districts would be forced to raise their prices by 25¢ to cover the loss of 12¢ cash and 12¢ commodities for paying students and many more paid students would be priced out of the program. The working poor and middle income people are already having trouble paying the current prices as only 61% of the paying students and 80% of the reduced price students eat a lunch daily as contrasted to the 93% of the students eligible for free meals who eat lunch daily. The increase in lunch prices would price the program out of the reach of many more students. A conservative estimate of the numbers affected, based on the fact that for evey one cent increase in price, you can expect a one percent decrease in participation, would be over 80,000 paying students.

What is really hard to understand is that these proposals are being made despite the recent Federal study which showed that students of all income levels who ate school lunches were more likely to meet their daily nutritional needs than students who did not. The National School Lunch Program was passed forty years ago because of the concern of Congress' over the poor physical status of thousands of young men who were rejeced from military service. Are we not putting our children at risk by undoing what Congress originally intended in 1946, to "safeguard the health and well-being" of our nation's children? "Must we" turn the clock back on our children's health?

Another part of the Administration's proposal which seems untenable is the elimination of donated foods for the paying child (12¢ per meal) and shifting the foods (12¢ per meal) to free and reduced price students to offset the 12¢ reduction in cash. This proposal, if passed, would create havoc with our statewide system of equitable distribution of donated commodities. It would create severe distribution and storage problems throughout the state and at the local (district) level. In some in-

stances, those with few free and reduced price students, the cupboards would be bare of USDA commodities and in others with high free and reduced price students the cupboard would be overflowing to the point where the districts would be forced to refuse commodities for lack of storage space or inability to use the foods in the quantities provided.

In summary, the President's 1987 proposed budget cuts for Child Nutrition Programs are untenable. It is even more so knowing that these are essentially the same proposals the administration made for 1986 and which Congress repeatedly rejected even to the point of making all Child Nutrition Programs exempt from the Gramm-Rudman-Hollings process of budget cutting. It seems that the intent of Congress in 1985 was to maintain the funding for Child Nutrition Programs. I hope that once again Congress will see the wisdom to leave the Child Nutrition Programs intact. I urge you to oppose the President's budget proposals.

Sincerely,

VIVIAN B. PILANT,
Director, Office of School Food Services.

STATE OF MICHIGAN,
DEPARTMENT OF EDUCATION,
Lansing, MI, February 26, 1986.

Hon. AUGUSTUS F. HAWKINS,
House of Representatives, Washington, DC.

DEAR CONGRESSMAN HAWKINS: The Administration's recommendation to eliminate cash and commodity subsidies for meals served to non-needy children would severely impair ths school lunch and breakfast programs in Michigan. The proposal eliminates subsidies for meals served to children from families with incomes above 185 percent of the poverty level. I strongly oppose this recommendation.

As proposed, the legislation would lower the federal subsidy by a minimum of 40 cents per meal (includes cash, commodity entitlement and bonus values) for approximately 50 percent of all lunches served in the State of Michigan.

The National School Lunch Program is currently authorized as a grant-in-aid to schools that supports the school lunch program. Without this support many school districts could not afford to participate in the program, thereby depriving all children in the community of the nutritional value of the program. Poor children are at particular risk.

It is our estimate that 15,600,000 fewer lunches will be served in Michigan schools during 1986-87 if this proposal passes. Additionally, it should be noted that new local revenue of more than $20 million will be required to offset this reduced level of service.

As most Michigan districts will have difficulty generating new revenue of this magnitude to support their food service operations, it is highly probable that may will elect to discontinue participation on the National School Lunch Program. It is estimated that 20 percent of the districts statewide will drop the program, thereby denying 133,600 children of lunches daily. This impact would affect the low income student as well as the student from a middle income family.

We appreciate your continued support of child nutrition programs and feel confident that you will oppose this proposed recommendation to eliminate the school lunch subsidies.

Sincerely,

PHILLIP E. RUNKEL.

THE UNIVERSITY OF THE STATE OF NEW YORK,
THE STATE EDUCATION DEPARTMENT,
Albany, NY, February 24, 1986.

GENE WHITE,
Legislative Chairman, American School Food Service Association, Denver, CO.

DEAR MS. WHITE: Attached for your information is a table analyzing the impact of the President's FY 1987 budget proposal for child nutrition programs on New York State.

Based on conservative estimates, 318,000 students would be dropped from the national School Lunch and Breakfast programs in New York State in FY 1987 under the President's proposals; over 51,000 of these students from low-income families. Approximately 398 (35 percent) of our total 1124 school food authorities could no

longer afford to maintain a School Lunch program given the proposed elimination of the 25 cent cash and commodity payment for students in the paid category.

The President's proposals for the School Lunch, Breakfast, Special Milk, Nutrition Education and Training, and State Administrative Expenses programs would amount to a direct dollar loss in New York State of $36.6 million. In addition, the Administration is proposing to eliminate the 12.5 cent cash payment for free and reduced-priced meals, to be replaced with a commensurate amount in commodities. This will result in an additional cash reduction of over $19 million for the state. We estimate that the replacement of cash for commodities will drive additional schools out of the lunch program as their flexibility in meeting program costs will be significantly reduced.

This information and other analyses of the President's FY 1987 proposals for education programs are being distributed to the New York State Congressional Delegation for their use during the budget and appropriation processes.

Sincerely,

JOSEPH P. FREY,
Chief, Bureau of School Food Management and Nutrition.

ESTIMATED NEW YORK STATE PROGRAM CUTS AND FEDERAL DOLLAR LOSSES AS A RESULT OF PROPOSED CUTS IN CHILD NUTRITION PROGRAMS

	Free and reduced price [1]	Paying [2]	Total
School lunch:			
School food authorities estimated to drop program			[3] [4] 398
Student dropped	50,389	263,778	314,057
Federal child nutrition reim. lost—Sec. 11	−$9,548,650		−$9,548,650
Federal child nutrition rem. lost—Sec. 4	−$19,256,991	−$12,160,000	−$31,416,991
Sec. 6 commod. funds lost/gained	+$19,256,991	−$12,160,000	+$7,096,991
Subtotal, school lunch loss			−$33,868,650
School breakfast:			
School food authorities estimated to drop Program			36
Students dropped	678	3,078	3,756
Federal child nutrition reim. lost	−$72,300	−$277,000	−$349,300
Special milk: Funds lost for students above 130 percent poverty			−$1,476,000
Nutrition education and training (net): Funds lost from program elimination			−$294,000
State administration expense: Funds lost—Fiscal year 1989			−$641,864
Total, economic loss to New York State			−$36,629,814
Total students dropped from school lunch program in New York State			314,057
Total Students dropped from school breakfast program in New York State		03,756	
Total cash loss to New York State			−$43,726,805

[1] Family income below 185 percent poverty.
[2] Above 185 percent.
[3] Estimate based on the projection that school food authorities with 70 percent or more paid students will drop program.
[4] 35 percent of total 1,124.

Source: Budget of the U.S. Government, fiscal year 1987, New York State Education Department.

ARKANSAS DEPARTMENT OF EDUCATION,
GENERAL EDUCATION DIVISION,
Little Rock, AR, February 24, 1986.

GENE WHITE,
Chairman, Public Policy and Legislative Committee, American School Food Service Association, Denver, CO.

DEAR MS. WHITE: As you are very much aware the President's budget proposal recommends, among other things, the elimination of the 25 cent cash and commodity subsidy for meals to children in the School Lunch Program and the 9¾ cent subsidy for meals in the School Breakfast Program.

My remarks concerning this will be very brief and to the point. There are 340 school districts in our state. Seventy have 30% or less students eligible for free/reduced price meals.

As a past high school principal and a superintendent of schools for twelve years, I believe that these schools will seriously consider dropping out of our lunch and/or breakfast programs.

My reasoning for this is two fold: First, to maintain their present rate of revenue, assuming all continue to eat, they must increase the price of 70% or more of their students. This will cause a number of their students to quit eating and thus further lower their revenue. I feel to maintain their present revenue, they must raise the paid prices 35¢ to 40¢.

Second, due to the additional time and work to operate our programs, the districts will feel it is just not worth their time and effort. Not only would these schools drop out of our programs, some may drop their programs completely. Regardless of which, a number of children will not be eating a good nutritious meal as they have previously.

Any effort on your or the association's part to counter this move would be very much appreciated.

Sincerely yours,

DOYLE BORDER,
Coordinator, School Food Service.

STATE OF NEW MEXICO,
DEPARTMENT OF EDUCATION,
Santa Fe, NM, February 14, 1986.

GENE WHITE,
Chairperson, Public Policy and Legislation Committee, American School Food Service Association, Denver, CO.

DEAR MS. WHITE: The Second act of the drama called "The Great Deficit Reduction," opens with Child Nutrition at center stage. Again we find ourselves faced with the obligation to show outcomes of the Administration's budget proposals. For New Mexico the impact of section 4 elimination is not vastly different from a year ago when we projected the potential losses.

The Section 4 money received from FNS during 1984-85 school year totaled $3,689,287.00; of this subsidy only $1,284,320.00 applied to paying students. The balance of $2,404,967 was for Section 4 support for free and reduced price meals. The administration seems to treat all Section 4 as though it were food stamps for the affluent only. Loss of Section 4 is most critical to programs because it does apply to the free and reduced price eligibles too. The average price of a school lunch to a paying child is still $0.95. Without the Section 4 reimbursement and its accompanying commodity support the average price for school year 1986-87 would jump to $1.48-1.60. Our experience indicates a one-percent decline in participation for every cent increase in the price of a meal. Calculating the impact of Section 4 loss to New Mexico schools, we can still predict a thirty-five to forty-percent (35%-40%) decrease in participation by paying children and a thirty-five percent (35%) program closure rate after the first year. This would represent the loss of 64,000 meals per day, sixty-six percent (66%) of which are served to needy children across this state.

The fact that Section 4 is universal and applies to all meals denotes its infrastructure nature as the vehicle to carry out the Congressional intent of feeding all children. The Administration's continued effort to label Section 4 as a component of welfare is simply not the case. To eliminate Section 4, this so called "welfare" component for poor children is acknowledged by doubling the commodity allocations to them. Doubling commodities in some of our school districts will be physically impossible. Schools feeding 90% free and reduced children could not provide adequate warehousing or refrigeration to handle such food volume much less utilize them to advantage.

School programs which serve less than 40% free and reduced price meals are the ones which are most dependent on the Section 4 funds. They simply cannot pass on the funding loss to consumer students because they cease participating rather than pay higher prices.

Congress valiantly denied this same budget reduction last year. We must all rally to that same stance again. There simply are no viable alternative funding sources

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available. Without Section 4 support 36 of the 88 public school districts in New Mexico would likely close their school lunch programs within one year.

Sincerely,

CLIFFORD O. MORRIS,
Director, School Food Services.

STATE OF LOUISIANA,
Baton Rouge, LA, February 21, 1986.

GENE WHITE,
Chairman, Public Policy and Legislation Committee, American School Food Service Association, Denver, CO.

DEAR MS. WHITE: The following is a brief summary of the anticipated impact of the proposed federal budget cuts for FY87:

1. Eliminate cash and commodities attributable to students above 185 percent of the poverty line:

This proposal will significantly raise the price to paid category children. We estimate that the average price will rise by approximately 40–45% and in excess of 50,000 children (ADP—Paid, 290,000) will probably drop from the program.

2. Increase commodity rate to 24 cents/meal for students below 185 percent of poverty and lower the cash rate by 12 cents.

What commodities will be provided? If the commodities offered as part of the 12¢ increase are not what are needed, then we have suffered a cut "through the back door".

3. Summer—eliminate reimbursement for administration.

We feel that this proposal will end the Summer Food Service Program. Local governments and school boards that are already financially strapped will not be able to absorb the cost of administering this program.

4. Child Care A: Eliminate 2% Audit Funds.

This proposal will reduce administrative controls to a dangerously low level. Audits have proven to be a valuable source of data for improvements to the program.

Child Care B: Means Test—Family Day Care.

It's about time, there is a means test in all the other programs and we badly need this control on the Family Day Care Program.

We have serious concerns about the affects of these proposed cuts to the Child Nutrition Programs. Our concern is deepened by the fact that severe cuts are also possible in our state assistance to the programs for FY87.

Please call me if you need additional information.

Sincerely,

WILLIAM H. BENTON,
Acting Director, Food and Nutrition Services.

OKLAHOMA STATE DEPARTMENT OF EDUCATION,
Oklahoma City, OK, February 24, 1986.

GENE WHITE,
Chairman, Public Policy and Legislative Committee, American School Food Service Association, Denver, CO.

DEAR MS. WHITE: The proposed reductions in funding is of great concern to all involved in Child Nutrition Programs. The President's proposal for 1987 would create many problems in the State of Oklahoma. At present a 17% budget reduction in state funding is imminent. At a time when we are experiencing a loss of funds at the state level, it becomes even more critical to also be faced with further loss of federal funds.

Just taking the federal cuts into perspective, our best estimates indicate that at least 50,000 students per day would be eliminated and 120 to 125 school districts would cease participation in the program. The loss of federal funds is estimated at $7,194,913.

While a major concern is the funding cuts we must remember our children. What will these 50,000 students do when it comes to good nutrition?

Sincerely,

FRED L. JONES,
Assistant Superintendent, Director, School Lunch Division.

MINNESOTA DEPARTMENT OF EDUCATION,
February 25, 1986.

Hon. RUDY BOSCHWITZ,
U.S. Senate, Washington, DC.

DEAR SENATOR BOSCHWITZ: I have recently received a copy of the U.S. Department of Agriculture, Food and Nutrition Service (USDA, FNS) 1987 Budget Summary. Without a doubt, I am deeply concerned about the administration's proposed cuts for Child Nutrition Programs and the effect on the children and the economy of Minnesota. I have attached a Fiscal Year 1987 Economic Impact of the Proposed Federal Budget Cuts to Child Nutrition Programs to show you that Minnesota would lose $26,104,000 in monies and USDA commodities if all of the proposed cuts were implemented.

In addition to the funds that would be lost to Minnesota, I am more concerned about the children that would no longer receive the benefits of these programs. This is especially true for the National School Lunch Program (NSLP) and the Child Care Food Program (CCFP) which would have budget cuts of $24,300,000. These two programs would be hit the hardest because of the high percentage of paying children (family income greater than 185 percent of the poverty level) that currently participate in these programs.

For example, in Minnesota in the NSLP we are currently serving 421,723 lunches per day. Of this total, 294,784 (69.9%) are in the fully paid category, 99,527 (23.6%) are free, and 27,412 (6.5%) are reduced price. As you can see, Minnesota's 69.9% of paying students is high in comparison to the national average of 51.3%.

If Congress passes the proposed budget cuts which would eliminate Section 4 reimbursement on all lunches (paid, free, and reduced price) and eliminate commodities for students from families with incomes greater than 185 percent of poverty, there is no benefit for schools with a high percentage of paying students to participate in the NSLP. Schools would drop the NSLP, and consequently, students eligible for a free or reduced price lunch in these schools would not be fed.

To illustrate the concerns above, the following conservative statistics have been compiled. If support for the paying student was eliminated, it could be expected that schools serving 85% or more lunches in the fully paid category would drop the program. These schools represent an average daily participation (ADP) of 91,273 lunches (21.6% of the state's ADP) of which 6,468 are free and 2,939 are reduced price. If we assume a more realistic figure that schools serving 80 percent or more fully paid lunches would drop the program, this would represent 164,524 lunches (39.0%) of the state's ADP) per day with 15,036 free and 6,702 reduced price. As you can see, if the proposed NSLP cuts are implemented, there are going to be thousands of students in the free and reduced price categories that will be deprived of the benefits of the NSLP.

The other proposed legislation that would have a major impact on Minnesota is the means test for CCFP participants in family day care homes (FDCH). It is estimated that the state would suffer a $12,000,000 loss of CCFP funds if this proposal was implemented. This is because of the high percentage (70.0%) of children in the CCFP that come from families with incomes greater than 185 percent of poverty. The administration's concept of cutting support to FDCH children that come from families with incomes greater than 185 percent of poverty is understood and very commendable; however, the "backlash" of this cutback would be that FDCH children from families with incomes of less than 130 and 185 percent of poverty would also lose the benefits of the CCFP. Family day care homes participating in the CCFP receive an average reimbursement of $200.00 per month. If this average amount was reduced 70 percent, it is not worthwhile for the FDCH to continue to participate in the program. The FDCHs participating in the CCFP are already overloaded with licensing requirements, daily record keeping requirements, and meal patterns and menu records, to such an extent that many FDCHs have chosen not to participate in the program. The administrative requirements are not worth the reimbursement received. The added administrative requirements of a means test coupled with the reduction is reimbursement would result in a mass exodus FDCHs from the CCFP. Consequently, the needy children would not receive the benefits of a subsidized meal or snack, and the cost of day care would have to be increased to all families.

The National School Lunch Program and other Child Nutrition Programs have an economic impact in Minnesota of more than $128,000,000. This impact is felt by people throughout the state and especially people in the agriculture community. I do not have to remind you of the problems of Minnesota farmers. The U.S. Department of Agriculture continues to purchase annually approximately $400,000,000

worth of dairy products and other foods produced in Minnesota. One of the major outlets for these products is the NSLP and other Child Nutrition Programs.

Again, as I did last year, I am asking that you consider the above concerns and do whatever is possible to maintain the Nation's Child Nutrition Programs at their present level. If you need any additional information, you or your staff can telephone me at the above telephone number.

Sincerely,

CHARLES L. MATTHEW,
Director, Child Nutrition Section.

FISCAL YEAR 1987 ECONOMIC IMPACT OF PROPOSED FEDERAL BUDGET CUTS TO CHILD NUTRITION PROGRAMS

Based upon 1984-85 state fiscal year end figures the following figures have been used to prepare this draft.

NATIONAL SCHOOL LUNCH PROGRAM

	Number		Percent
Number of meals	17,592,696	Free	24.0
Do	4,785,207	Reduced	6.5
Do	51,258,542	Paid	69.5
Total	73,636,445		100.0

Below is the approximate impact in dollars of proposed budget cuts.

1. Eliminate cash and commodities for students above 185% of poverty level: Eliminate section 4 on all meals (paid, free, and reduced), $9.1 million; eliminate commodities for paid meals, $6 million.
2. Increase commodity rate for free and reduced lunches to 24 cents, 2.8 million.
3. Eliminate nutrition education training [NET], $74,000.
4. Eliminate sponsor administration and lower reimbursement rates for summer feeding program: Administration, $60,000; lower reimbursement, $200,000.
5. Eliminate special audit money (CCFP), $350,000.
6. Enact a means test for family day care homes, $12.0 million.
7. Eliminate SAE carryover, $750,000.
8. Eliminate special milk program for children over 130 percent of poverty, $370,000.
9. Total NET loss to Minnesota if proposed legislation is passed, $26,104,000.

KANSAS STATE DEPARTMENT OF EDUCATION,
Topeka, KS, February 24, 1986.

Hon. BOB DOLE,
U.S. Senator, Hart Office Building, Washington, DC.

DEAR SENATOR DOLE: After reading the President's budget for 1987, I am concerned about the cuts proposed for the Child Nutrition Programs and the impact these cuts would have in Kansas.

The Child Nutrition Programs were established to safeguard the health and well-being of our nation's children. The programs have been successful in accomplishing this goal; however, the Administration's budget proposal to cut $775 million would severely damage the basic foundation of the program.

The majority of this cut would be achieved by eliminating reimbursement for "paid" meals in the National School Lunch Program. This reimbursement comes from two sources: Section 4 funds and commodity assistance, or cash in lieu of commodities for Kansas. Based on 1984-85 participation rates, a budget cut of this magnitude would reduce federal funding for Kansas Child Nutrition Programs by over $7.6 million.

Since the majority of Kansas schools serve a high percentage of paid meals (in October, 1985, 68 percent of the school lunches were served to students in the paid category), districts would drop the program because the administrative responsibilities would outweigh the financial advantage of participation. If the programs are terminated, all children in the community would lose the nutritional benefits.

The 1987 budget proposals are a rehash of the same proposals which were thoroughly researched and debated last year. These proposals were rejected in 1986 be-

cause they would have devastated child nutrition programs. I urge you to once again support these proven effective programs and support good nutrition for all children.

If I can be of assistance or can provide additional information in the future, please feel free to contact me.

Sincerely,

RITA A. HAMMAN,
Director, School Food Service.

Chairman HAWKINS. Thank you. Mr. Ed Cooney.

TESTIMONY OF ED COONEY, ACTING EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Mr. COONEY. Thank you, Mr. Chairman. Thank you for the opportunity for testifying before this committee.

I would also like to share the view that your leadership on H.R. 7, along with Representative Goodling and the other House conferees, has been very important to the nutrition community. I also wanted to assure you that the entire nutrition community is working to get the tentative agreements that have been set forth in the conference report actually signed by Senate conferees.

Chairman HAWKINS. Mr. Cooney, for your information, we are seeking that. As chairperson of the conference committee, I have tried to interest Mr. Helms, the Senate vice chairman, in trying to come back into conference. So far the insistence on his part is that we have absolutely no increase whatsoever, no adjustments; and we feel that the request is unreasonable.

So those of you who may have much more influence with the Senator and some of the other conferees on that side of the table, I would ask you to use it; because we are finding it extremely difficult to try to reconcile or to compromise any further than what we already have done. We think we've been reasonable, but we can't be ridiculous.

Mr. COONEY. We are in close contact with the distinguished chairman of the Senate Agriculture Committee, and it has been our experience that consistency of effort is something that pays off in the end.

As you know, H.R. 7 is a—some would have you believe that child nutrition programs are a cause of the deficit, truly an interesting view in light of the fact that this tentative agreement which you have outlined for us provides $32 million in increases above current services, less than a 1-percent increase in funding. And it's the first increase in new funding above current services that we have seen since 1978.

As you know, Chairman Perkins would have been very pleased with the progress that you and Mr. Goodling have made on this bill, but I think we would also be remiss to say that he would also point out to us that you better—you should watch out for what they're trying to do to that regular student subsidy, the 25-percent cut.

I think we should look out, as you pointed out on the chart, what is the true cause of the deficit. Child nutrition programs certainly are not the focus of the deficit or the cause of it. The Joint Economic Committee recently released a report which showed some of the aspects of—or the causes of the deficit, and they point out the largest increase in deficit is a direct accounting of the 1981 tax bill

which allowed $111 billion in tax loopholes, deductions and so forth.

Slower economic growth accounted for $40 billion of our current deficit. Increased spending, but not on social programs, but largely on the military budget which has seen a $35 billion increase over current services, plus an increase in the national debt, are in large part responsible for the current deficit which we have seen.

As the chairman's favorite chart points out, over 30 percent of the child nutrition budget was cut in fiscal year 1982. The Congressional Budget Office has estimated that the cumulative cut, just between the years of fiscal year 1982 and fiscal year 1985 is $5.2 billion.

Mr. Chairman, we believe it is time for Members of Congress to stand up and be counted. Are they going to continue to support adequately funded and well managed child nutrition programs as a means of safeguarding the health and well-being of the Nation's children, as envisioned by the original legislation, or not?

Albert Einstein pointed out that times such as ours, the Gramm-Rudman times, have always bred defeatism and despair, but there remain, nonetheless, some few among us who believe that man has within him the capacity to meet and overcome the greatest challenges of this time. If we want to avoid defeat, we must know the truth and be courageous enough to act upon it. If we get to know the truth and have the courage, we need not despair.

Mr. Chairman, the truth is that the elimination of the Federal subsidy to schools and child care sponsors will not cure the deficit. It will adversely affect the nutrition of poor children, and it will cripple severely the ability of schools and child care sponsors to operate some of the programs which we believe have been the most successful demonstration of the Federal effort in the last 40 years.

There are reasons why Congress did not cut child nutrition programs last year. As many people in this room will recall, the fiscal year 1986 budget resolution has no cut in it for child nutrition. It did reject these same cuts which were proposed last year in the President's budget.

Bear in mind that there were only two programs in the entire budget resolution that had increases in spending. One was child nutrition, and one was food stamps. And that's because of the leadership that Bill Gray and George Miller and some of our friends on the Senate side had for us.

Some of our consistent friends in the past did not help us as much as we thought they should last year in the Senate and, as a result of that, Senator Hawkins came forth with an amendment to eliminate child nutrition cuts which passed 60 to 38. The only amendment on the Senate budget resolution that passed was the Hawkins amendment rejecting the cuts that are being presented to you here today by the administration.

As the chairman knows and Mr. Goodling knows, after a very painful fight on the House floor, all the amendments which cut child nutrition programs were rejected in H.R. 7. And Bill Goodling and Gus Hawkins and other members of the committee went to the wall for that, despite the fact that the administration exercised enormous pressure.

Gramm-Rudman, an ill conceived piece of legislation, in my opinion, did have one positive feature to it which was the exemption of certain programs. Not enough programs, but child nutrition programs were among those exempted from Gramm-Rudman. The reason is that members feel that it is important that we not return to 1946 and have a military that is well funded but troops that are not—did not have the nutritional status and stamina to operate those highly technical machines.

More specifically, Mr. Chairman, we reject each and every cut that is proposed in the administration's budget here. But more specifically, we have objections to the means test in the family day care for the Child Care Food Program.

We're concerned that on this very underfunded program, that parents and providers which live in the same neighborhood and attend a family day care center right where they live—there's going to be a problem with confidentiality, because they are going to have to report their income, probably to their umbrella sponsor. But that umbrella sponsor is going to be sending back reimbursements to that family day care provider, and they are going to know that Johnny had, you know, a certain subsidy, and Jane gets another one.

As Dr. Karen Hill-Scott testified before this committee last year, "in most institutional settings, where there's a Federal subsidy, the information * * *" you know, collecting of information is between like a school and an individual as opposed to a provider or a sponsor and a parent. She feels that this kind of collection data will have a chilling effect on the parent's capacity to participate in this program, and they may opt for a different child care arrangement.

Also we heard the administration testify that they are very concerned about reducing paper work. Well, we would agree with them in this instance that a means test in family day care will simply add to that particular level of paper work which they are very much concerned in getting rid of.

It will also act as a barrier to participation in the program. We believe that accessible, affordable and quality child care will be impossible if the means test is implemented.

Let's take a look at society as it exists today. In 1947, 19 percent of women with children under 18 were in the work force. By 1982 that percentage had climbed to 60 percent. Sixty percent of the women with children under 18 are in the work force today.

By 1990 it is projected that 50 percent of all preschool children or 11.5 million children—their mothers will be in the labor force. Sixty percent of the mothers of school age children or 17.2 million kids will have their mothers working. Is there going to be accessible, affordable, quality child care? We do not believe so. And our belief is shared by a rather large number of people.

The Northeast child nutrition directors and their staffs that worked on the Child Care Food Program presented a report to this committee a couple of years ago which stated that the food program in its present form has produced an important spinoff benefit that reinforced their strong support of CCFP. It makes child care affordable.

The current method and level of funding has enabled the child care food program to have a positive impact on many children and families involved in child care. That's only one aspect.

The ABT study which the administration frequently quotes but not in this light, said that children who participate in the Child Care Food Program have a higher quality meal served to them than those children that participate in other child care arrangements, or in no child care arrangements.

Also, the Child Care Food Program provides two things which are very important to members of this committee, whether they be Republican, Democrat, liberal, or conservative. It provides the only way to ensure that the public's money is well spent. It requires the providers to be licensed. That is an important feature of the program, and without CCFP we would be faced with thousands and thousands of low income family day care providers providing care in an unlicensed setting, which is not a very smart national policy.

In terms of monitoring the program, CCFP requires that these homes be visited two or three times a year to make sure that the quality of care is available.

In short, we believe that the means test is unnecessary, impractical and harmful; and it will not accomplish the objective of the administration. Their objective is to ensure that low-income parents participate in the family day care part of the Child Care Food Program. Instituting a means test will not be helpful in that light.

There are a few other program cuts that we would like to just point out to you, Mr. Chairman, because we do have differences with the administration on this.

The administration frequently uses the word, and the advocacy community uses the same word from time to time, but the word is "approximately." The word approximately can be fairly harmful to you if you participate in the Special Supplemental Food Program for Women, Infants and Children.

The Department says that they serve "approximately" 3 million participants, and that their budget is a current services budget. No one will be harmed. It is our understanding that currently approximately 3.3 million children—women, infants, and children participate in the WIC Program.

Under the current services estimate presented by the Department, we would lose the benefits for 30,000 currently participating low-income women, infants, and children. So the word approximately has great significance here.

On the Summer Food Program, the Department makes the claim that local sponsors will do the program without administrative funds. They also make a claim, which on the surface seems to be legitimate, which is that they want to have the same reimbursement for a school lunch as they do for a summer lunch.

Well, they are very different kind of programs. The Summer Lunch Program, as you know, operates for 6 to 8 weeks during the summer. It has different costs, the cost, money to hire janitors during the summer when some schools are not open, and so forth. There are sites that are spread out all over the city which involve higher transportation costs and so forth. These are services provided by many community organizations in some schools and some cities on a voluntary basis. They attract a large number of people.

If you now turn around to them and tell them you are cutting their reimbursement by $21 million and you are cutting, you know, local administration, you will find that you will not have participation by these sponsors in the Summer Food Program. Remember, we lost 500,000 children in fiscal year 1982 when we lost the private nonprofit sponsors, the community action agencies and other such groups.

We currently only serve less than 2 million children out of 11.5 million children that receive a free and reduced-price lunch during the summer.

In conclusion, there are two smaller programs which we think are very, very important. We share Congressman Gunderson's concern about the Special Milk Program. It is an inportant program. The USDA-sponsored 4-year, $4 million study, which is called the National Evaluation of School Nutrition Programs, showed rather dramatically that milk has a substantial and positive effect on children's diets.

We also oppose the cut in the Nutrition Education and Training Program. When the President said he was preserving a safety net, we assumed that that net was the Nutrition Education and Training Program. We think that it is the only program that provides nutrition education to school children, and FNEP is the other program that provides nutrition education to families. That's being zeroed out as well in the Agriculture Committee. We're opposed to both of those.

We are also opposed to the cuts that are not listed in the USDA budget summary, which are substantial. For example, the termination of Federal administration of child care food programs in States that do not have a State law prohibiting such administration. It is not in the USDA budget summary, but it is in the budget language which they are sending up to the Hill.

They are also incorporating a new twist this year. That new twist is that the private sector will be substituted in to administer child nutrition programs, you know, if a State has a State law prohibiting them doing that. USDA will no longer administer these programs.

Now we're talking about programs in—9 programs in Child Care Food Program in 9 States, 21 States in the Summer Food Program, many States administer the private school lunch program.

I am not—I mean, I know that there's tentative agreement in H.R. 7 to sort of test out this concept in a pilot project. We have no objection to that. We do raise the issue, though, as a policy matter, do we want a for profit concern that has items in addition to the children's health and nutrition status administering these programs all across the country? We have substantial reservations for that.

We share AFSFA's views on the cash and commodity subsidy for lunch, breakfast and child care; and we have some concerns about the substitution of commodities for cash.

My colleague, Charlie Hughes who will be testifying in some of these matters but—I know Charlie well, and as fond as he is of Pat Caldwell, he is not going to be paying her in butter and cheese. She wants cash. Schools do need cash.

We also heard a rumor that the severe need rate in school breakfast, which only goes to poor children, is being eliminated. I would request the committee look into that, because that is a—I just heard that on the way in this morning, and that's worth looking into.

In conclusion, we would just simply argue that well financed and well managed child nutrition programs are the mechanism to ensure the nutrition and health status of children. The statute in 1946 was quite clear. We think it should be continued.

Let us face the truth and look to the future and reject these ill conceived budget cuts.

Thank you, Mr. Chairman.

[The prepared statement of Edward M. Cooney follows:]

TESTIMONY OF EDWARD M. COONEY, ACTING EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Mr. Chairman. Thank you for the opportunity of presenting this testimony before this distinguished committee. This testimony was prepared by the staff of the Food Research and Action Center along with the thoughtful assistance of one of the nation's leading authorities on child care, Helen Blank, Director, Child Care and Family Support for the Children's Defense Fund. The testimony also reflects the views of the 200 members of the Child Care Food Program Sponsors Forum, which is a national child nutrition advocacy network for family day care, and the National Anti-Hunger Coalition, a group of low-income participants and their allies in the fight against hunger.

We believe that 1986 should be the year when members of Congress make a statement to the American people. That statement should include the following elements:

Deficit reduction is a serious national concern.

Deficit increases are largely due to the tax code changes enacted through the Economic Recovery Act of 1981 (estimated to be $111 billion by the Joint Economic Committee). This increase in the deficit provided enhanced wealth for some individuals and corporations through tax cuts, beneficial tax expenditures and other tax loopholes. Also, according to the Joint Economic Committee, slower than predicted economic growth accounts for $40 billion of the deficit. Another factor was a net increase in spending of $18 billion, consisting of interest payments on the national debt ($21 billion) and the defense buildup ($35 billion) offset by a $38 billion cut in domestic spending. In addition, the Joint Economic Committee found that $34 billion of the deficit was the result of pre-1981 budget policy.

Deficit reduction should not be placed upon the backs of poor women and children.

In short, Mr. Chairman this committee should reject in totality all of the Administration's FY 1987 child nutrition budget cuts. The Committee should reject these cuts in nutrition programs because they are not the cause of the deficit; they have already sustained cumulative cuts of over $5 billion between FY 1982 and FY 1985 according to the Congressional Budget Office;[1] and Congress decisively rejected the bulk of these very same cuts in the FY 1986 Budget Resolution.

It is time for members of Congress to stand up and be counted. *Are they going to support adequately funded and well-managed child nutrition programs to safeguards the health and well being of the nation's children as envisioned in the statement of purpose for the National School Lunch Act of 1946 and Child Nutrition Act of 1966 or not?* As Albert Einstein once pointed out:

Times such as ours have always bred defeatism and despair. But there remain, nonetheless, some few among us who believe man has within him the capacity to meet and overcome even the greatest challenges of this time. If we want to avoid defeat, we must wish to know the truth and be courageous enough to act upon it. If we get to know the truth and have the courage, we need not despair.

There are reasons why Congress authored legislation and the President signed legislation exempting child nutrition programs from Gramm-Rudman-Hollings. There are reasons why the Hawkins (R-Fla.) amendment to the Senate Budget Reso-

[1] See Major Legislative Changes in Human Resources Programs Since January 1981, CBO August 1983.

lution eliminating these very same cuts passed by a 60–38 vote. There are reasons why all budget cutting amendments to HR. 7 were rejected on the House floor in the last session. *Let us get to know the truth and have the courage to act on it . . . yet once again.*

The truth is that the elimination of the federal subsidy to schools and child care sponsors will: *not* cure the deficit; *adversely* affect the nutrition of poor children; and *cripple severely* the ability of schools and child care sponsors to operate what we believe to be some of this nation's most successful programs.

1. CUTS IN THE CHILD CARE FOOD PROGRAM

More specifically, we oppose the institution of a means test in the family day care portion of the Child Care Food Program (CCFP). In the final analysis, it is our belief that fewer low-income children will be participating in the family day care part of CCFP after the introduction of a means test than under the current program. The implementation of a means test for children in family day care participating in the Child Care Food Program would result in the virtual elimination of family day care from CCFP. This is so because a means test would present substantial confidentiality problems between the child care provider and parent and cause many parents to seek other child care arrangements. Confidentiality of parent income information is an extremely sensitive issue in a informal family day care home setting in which the provider and parents often are friends and live in the same neighborhood. As pointed out in testimony before this committee last year by Dr. Karen Hill-Scott Ed. D., Executive Director of Crystal Stairs, Inc. in Inglewood, California, "in most institutional settings, where a Federal subsidy is applied, there is a separation between those who collect the income information and those who serve the food. The privacy and dignity of the individual is preserved because, in the final analysis, all participants eat the same meal, and the cook doesn't know the difference between one participant and another." Even presuming that the umbrella sponsor will collect such data, confidentiality will still be blunted since the provider will receive differential rates of reimbursement for different children.

A second reason low income children will suffer adversely from the implementation of a means test is because it would impose such a paperwork burden that it will drive small inner city and rural sponsors out of the Child Care Food Program. Income eligibility criteria will require income certification of thousands of families annually. This process increases dramatically the level of paperwork for sponsors, which are offered no increase in administrative funding to cover these tasks.

The implementation of a means test in CCFP would make accessible, affordable and quality child care unavailable to thousands of low-income working parents. In a statement endorsed by 7 Northeastern State Directors of Child Nutrition and their Child Care Food Program coordinators, it was stated that:

"The food program (CCFP), in its present form, has produced an important spin-off benefit that reinforces our strong support. The availability of CCFP funds have enabled many providers to remain in operation and to keep their fees at an *affordable* level. The accessibility of affordable day care has freed many families from low income status. *It is the current method and level of funding that has enabled the CCFP to have such a positive impact on so many children and families involved with family day care."* [Emphasis added]

The Child Care Food Program also provides children with substantial nutritional benefit. A major finding of the ABT study was that CCFP participants are provided significantly greater variety in the types of food used for all meals and snacks and the meal quality is high.

CCFP also helps to insure quality child care by carefully monitoring all participating homes two to three times per year. With increased numbers of women entering the family day care profession but fewer dollars and less staff available to monitor homes, the visits made by sponsors to the homes are an important way of assuring higher standards. The training and technical assistance made available through CCFP also assists in keeping standards high.

Perhaps the single most important feature of the Child Care Food Program is that it is the one overriding factor that encourages child providers to become licensed. As pointed out by Dr. Scott, the license is the only standard we have for child protection. It is the only public way parents can find child care, and it is the only mechanism the government has for collecting tax revenues from this segment of the day care industry.

The federal financial committment to accessible affordable quality child care for low-income families is already very limited. The largest source of these funds is the Title XX Social Services Block Grant which was cut by 21 percent in 1981. Approxi-

mately 15 percent of the $2.7 billion Social Services Block Grant is utilized for child care. However, most of these funds are used in child care centers, not in family day care homes. The Child Care Food Program is the major source of federal support available to family day care.

In 1985, 24 states were serving fewer children with Title XX funds than in 1981. If inflation is factored in, 35 states are spending less Title XX money than in 1981.

Who needs care and who participates in CCFP?

The importance of family day care to our child care system is significant as is the influence of Child Care Food Program on the quality and availability of family day care.

Over 50 percent of American children are cared for in family day care, including the majority of infants and toddlers. There are very limited slots available for infants in child care centers because of the extremely high cost of infant care.

Families must have child care. Women work because of economic necessity, and almost one in five families is headed by a single woman. The average female head of household had an income of less than $9,000 in 1982. Two-thirds of women who work are single, widowed, separated, divorced or have husbands who earn less than $15,000 a year.

Family day care providers work 12 to 14 hour days with little if any relief. Unlike centers they can serve parents who work different shifts or odd hours because providers are more flexible.

Family day care provides an income for many women who would otherwise be dependent on AFDC, as well as child care for mothers so that they can be self-sufficient. Family day care providers are predominantly low-income women. Eighty-seven percent earn below the minimum wage.

Hardworking families utilize family day care. The National Day Care Home Study found that the income of parents using family day care was $12,000 to $15,000. A study conducted by the Northeast Child Nutrition Directors found that 69 percent of the children enrolled in family day care and using the Child Care Food program were from blue collar families.

II. CUTS IN OTHER CHILD NUTRITION PROGRAMS

A. The National School Lunch Program

We strongly oppose the elimination of cash and commodities for meals served to children in the School Lunch, Breakfast and Child Care Food Program whose family incomes exceed 185% of poverty.

The American School Food Service Association estimates conservatively that between 10,000–15,000 schools and 5 to 8 million children will drop out of the school nutrition programs if this is implemented. Citing a Library of Congress study ASFSA has stated that as many as 40,000 schools may be "at risk" of dropping out of the National School Lunch Program. Through FY 1982, 2,000 schools and 3 million children dropped out of the School Lunch Program and after an 11-cent cut in this subsidy. Part of the reason is economics.

Why do schools and children withdraw from programs designed to "safeguard the health and well-being of the nation's children."? [1]

Schools rely on the federal subsidy for all students (including subsidies for moderate income students: paid meals) to pay for the general infrastructure of the program, including the cost of equipment and labor. The subsidy for paid meals helps to keep the price moderate-income children pay for school meals low, thereby keeping them in the program. Simple economics tells us that the more children who participate in school lunch, the lower the per meal cost. USDA studies indicate that for every 1 cent increase in price of a paid lunch, schools can expect a 1% drop in paid meal participation. Here, a 25 cent (cash and commodity) cut means about a 20% drop in paid meal participation. With such a substantial drop in reimbursement, some schools, particularly schools with high percentages of paid meals, might decide that the program is no longer economically feasible. This is particularly true in rural and suburban schools, whose school boards are reluctant to increase local taxes for a federal program when education programs are being slashed across the board. The Reagan Administration's budget will force many local school boards to disregard the link between nutrition and learning. Can a hungry child learn?

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[1] Statement of Purpose, National School Lunch Act of 1946, Section 2.

B. The Special Supplemental Food Program for Women, Infants and Children (WIC)

Nearly 30,000 women, infants and children would have to be removed from the WIC program due to the inadequate funding request of the administration for F.Y. 1987. There are approximately 6 million unserved potentially eligible participants. A recent study, funded by Congress and overseen by USDA, showed clear evidence that WIC was a cost-effective program since program benefits help reduce late fetal deaths and also have been shown to have a significant impact on increased birthweights. Yet many clinics have reported waiting lists of clients across the county.

C. The Summer Food Service Program for Children

There is a $21 million cut in this program through the elimination of the special per meal administrative reimbursement rate and the modification of the general per mean reimbursement. This transfer of cost from the federal government to local sponsors may force some sponsors to leave the program and thereby deny meals to needy children. There is a rational basis for different rate structures in Summer Food and School Lunch programs. The costs for preparing and transporting lunches for a summer program of 6–8 weeks are simply higher. Unlike the School Lunch Program, served in a school cafeteria. Summer food cites can be spread over several neighborhoods. Maintenance costs tend to be higher during the summer when many schools are usually closed and janitors have to be hired at higher rates to open school facilities for use by summer food sponsors. Summer Food costs if documented should be reimbursed at currently allowable levels. Also, the elimination of reimbursement for administration should be rejected as a cut since local sponsors need this funding as an incentive for operating a program.

We did lose 500,000 children as a result of budget cuts in FY 1982. Currently, less than 2 million of the 11.5 million children who receive a free or reduced-price lunch for 9 months of the year, receive that lunch during the summer. Since USDA studies show that a school lunch may provide many poor children with anywhere from one third to one half of their total daily nutrient intake, we believe that this program should be expanded, not cutback.

Current USDA regulations require that sponsors be disallowed federal reimbursement for any "second lunches which exceed 2% of lunches served, even though sponsors have a meal plan limiting second lunches. While this is not a direct budget cut, it will have the effect of reducing funds available for sponsors. It is absolutely astonishing that the level of national scrutiny on second lunches for needy inner city children at a summer feeding sites appears to be greater than any such oversight of the military budget on tax loopholes.

D. The Nutrition, Education, and Training Program (NET)

In spite of its small budget, NET has a large impact for a very small investment. By 1980, the NET program was operating in 52 states and territories and had reached over 5,700,000 students, 212,000 teachers and 104,000 food service personnel with nutrition education information. Currently the program is funded at $5 million and is the nation's only federal program for nutrition education for school children.

E. Special Milk Program

We oppose the elimination of the Special Milk Program for children over 130% of poverty. The USDA administered 4 year, $4 million *National Evaluation of School Nutrition Programs*, reported that the provision of milk had a substantial and positive effect on children's diets.

OTHER MISCELLANEOUS CUTS AND TRANSFERS

1. Termination of Federal Administration of Child Nutrition Programs

In its budget legislation, USDA intends to strike the language that requires the Department to administer any child nutrition program where a state has returned or "turned back" its right to administer the program. In essence, USDA is saying that if the state is unwilling to administer a child nutrition program, the USDA will not administer it either. USDA will, however, contract out such administration for states that have a state law which "prohibits" state administration, e.g. Alabama law does not allow the State Department of Education to administer school lunch funds for private schools. USDA will "contract out" the administration of the private sector. This provision, if enacted, would affect such states as New York and Oregon, which do not operate either CCFP or Summer Food, and California, Kansas, Michigan, Minnesota, Alaska, North Dakota and Wyoming, which do not administer the Summer Food Program. These states do not have state laws prohibiting state administration of child nutrition programs. We are very concerned about what could happen to the nutritional status of children in programs in these states if the

private sector, motivated by profit rather than nutrition and health, provided all nutrition services.

2. Substitution of Commodities for Cash in Section 4 of the National School Lunch Program

It is our understanding that USDA is currently proposing to eliminate 12 cents in cash for free and reduced-price meals and substitute 12 cents worth of commodities. This "swap" of commodities for cash is recommended by USDA as a way to help farmers and reduce excess commodities. The "swap" does raise certain policy issues. For example, some large urban school districts have indicated that having part of the school lunch reimbursement in cash helps with flexibility in menu planning. They can buy what they need when they want it. Also, commodities cost money to transport and to store. In addition, one can not easily pay labor costs in commodities. Commodities are a vital support system for school lunch but some cash is necessary as well.

CONCLUSION

Children are our hope for the future. Well-financed and well-managed child nutrition programs are the mechanism to insure their nutrition and health status. Let us face the truth, look to their future and reject these ill-conceived budget cuts.

Chairman HAWKINS. Thank you Mr. Cooney. The final witness is Mr. Charlie Hughes, president of Local 372, American Federation of State, County, and Municipal Employees.

Mr. Hughes, we again welcome you before the committee, and look forward to your testimony.

TESTIMONY OF CHARLIE HUGHES, PRESIDENT, LOCAL 372, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES

Mr. HUGHES. Thank you, Mr. Chairman.

Good morning, Mr. Chairman and members of this subcommittee. I want to especially point out that our good Congressman from the 12th Congressional District and the great burrough of Brooklyn, Congressman Owens, I greet you on behalf of the American Federation of State, County, and Municipal Employees of District Council 37 in New York.

I want to say, Mr. Chairman, that I will be assisted by the assistant division director of the Schools Division of District Council 37, AFSCME, Patricia Caldwell, and the division director, Thomas Jennings, and Ms. Diane Burke from our International AFSCME office.

I am also the president of Local 372. I'm the chairman of the American Federation of State, County, and Municipal Employees of the School Employees advisory committee which represents 150,000 members throughout these United States of America. Our union is the largest union that works in the Nation's largest School Lunch Program in terms of student participation and employees. On an average day our members serve about 550,000 breakfasts and lunches.

It is always a privilege for me to testify before this committee. During the many years I have done so, I have been truly impressed by your sensitivity and commitment for our Nation's children and, more particularly, to your steadfast support for the National School Lunch Program. No single program has a greater impact on enhancing children's ability to thrive in educational settings and on improving the quality of their lives.

AFSCME has stood staunchly beside you since the program was launched in 1946. We have worked with you as you strove successfully to develop the National School Lunch Program as a major bulwark in protecting the schoolchildren of our land against the ravages of hunger and malnutrition. Especially during the past 5 years, we have offered and given you our support as you were forced to deal with draconian proposals that were intended to gut the program.

Mr. Chairnan, I'm afraid that, once again, we need to circle the wagons. Once again, the administration's fiscal year 1987 budget proposes to jeopardize the heart and substance of the program by eliminating section 4 Federal subsidies to all full pay students. This unseemly and unwise action would reduce Federal expenditures in the order of $721 million. It would also destroy the program.

I submit that this Nation cannot afford the price that will have to be paid in terms of human deprivation if this were permitted to take place.

This committee was confronted with the same request last year. We are grateful to you for the manner in which you stood firm and unwavering and rejected it. AFSCME urges you to do so again.

I realize there's a big difference between last year and this year. It's called Gramm-Rudman. But even under this highly controversial deficit reduction mechanism, the Congress has recognized and made clear that child nutrition programs have suffered enough from past reduction in Federal support, and that because of their importance to our Nation's children they are to be protected against the triggering of automatic budget reductions. It is apparent that the administration still hasn't gotten the message.

The record of this hearing needs to make clear precisely what will happen to the National School Lunch Program if Federal subsidies under section 4 are curtailed.

The National School Lunch Program is an example of democracy in action. It is designed, as it should be, for all children, regardless of economic circumstances. Children in middle-class income and upper-income families don't get a free ride. They are required, depending on their family's income, to either pay a part or the full amount of cost.

The Federal subsidy that is provided encourages their participation by considerably reducing the cost that they would otherwise have to pay. Of the 23 million children participating in the program, more than half get free meals because they are poor. There are few who would deny them this benefit.

In order for the program to survive as it must, participation by all children is essential. This is particularly vital in schools in which there are substantial numbers of full-pay students.

The elimination of section 4 subsidy will force school districts to raise the price of meals for full-pay students. This action would result in hordes of them abandoning the program. As this happens, schools would be compelled to drop out, because the program is no longer economically feasible. When this occurs, needy children receiving free lunches and part—pay students will no longer have access to the program.

Last year's report by the Congressional Research Service on the impact of the loss of the section 4 subsidy is equally valid today. Its

findings concluded that between 10,000 and 15,000 schools would drop out of the program and as many as 1 million children would lose access to it.

In my own State of New York, the termination of section 4 subsidy would produce disastrous consequences. Over 240,000 children would no longer participate. Nearly 38 percent of the State's 1,097 food authorities would be forced to drop the program, and thousands of children would be denied access to it.

My question to the committee is: Can this Nation afford to let this happen? The answer must be a resounding "no."

In New York City alone it will have a net cut of $6 million, approximately 80 cents for every resident of the city of New York.

I know that I need not remind this committee that 5 years ago the administration spearheaded a major attack on the program. Federal funding was cut $1 billion by reducing subsidies and tightening eligibility and verification requirements. The direct result of these actions led 3,000 schools to leave the program and more than 3 million children were forced out. I believe that we must say as unequivocally as possible that enough is enough, and that we ought to leave well enough alone.

On behalf of AFSCME's more than 1 million members, I call upon the committee and the Congress to safeguard the integrity and full implementation of this crucial program.

I urge you to continue the authorization and funding of section 4 subsidy at a full level. Beyond this, I would like to thank the members of this committee and particularly those who serve as conferees on H.R. 7 for their work and strong support for that bill.

I thank you for allowing me to appear before you, and I ask you to help us. And I say in the name of the God Almighty, that it's time for this administration to understand that, as a man who stood by the Sea of Galilee thousands of years ago and took the lunch of a child and fed a multitude, that we ought to try to carry on that tradition for the next leaders of tomorrow and the children of today.

Thank you so very much, and may God bless all of you. [Applause.]

Chairman HAWKINS. The Chair would like to commend all three of the witnesses and also you, Ms. Gibson, for testimony before the committee. I don't know that any members of this committee disagree with the statements that you have made. The Chair certainly does not.

The common sense that you have advocated in dealing with these programs, I think, is pretty well clear, and it's difficult even to question you because the problem doesn't lie within this room. You ought to certainly understand that. It's helpful, I think, that the message you have brought to us certainly needs to be understood by many more Americans across the country.

Perhaps in this session when we're having difficulties trying to justify the recommendations of this committee, which we made last week to the Budget Committee. In order to follow those recommendations through and to identify those who support the ideas and those who do not and those who sometimes by rhetoric confuse the real issues, certainly, I think, is a terrific job before the American people.

This committee can only go so far, in trying to uphold the things that the members believe in; but much more needs to be done, I think, to carry this message to those who probably are on our side but who really just don't hear it; they don't hear it over TV; don't read about it in the newspapers, and they are uninformed about what is actually happening.

I think the phrase was used earlier that those of you perhaps in this room represent a vested interest. I certainly don't want you to take that in the manner in which it might have been given, because I think that those of you who do operate in administering these programs are to be commended for the sacrifice that you are making, because we know, and I'm sure that Mr. Hughes will agree, that it's very difficult to negotiate contracts when employees are so badly underpaid in these fields.

I know for a fact that in my own area, there are many individuals who are performing outstanding jobs in these programs but who are among the lowest paid in our community. I certainly hope that, as a result of these hearings, we will not only be able to protect the programs themselves but also to justify your dedication in terms of the service that you render in this field.

So, again, I wish to thank you. Mr. Owens, do you have some comments at this time?

Mr. OWENS. Yes, Mr. Chairman. I would like to thank all of the panelists for a very enlightening and inspired presentation, especially my—he's not my constituent, but there's only one school system in New York, and there's only one political system in New York. So we certainly work very closely together.

Although Charlie Hughes is known as a person who is a statesman and can whisper in the back rooms and talk persuasively at the conference table when the right crowd is there and the issue is important enough, he can also be very inspiring. Deep down beneath, I think there's a call to preach somewhere there.

I would like to ask just one question for clarification, a fact that I've been seeking. The number of children that dropped out of the summer program—you mentioned that, and I missed it. How many were there that dropped out of the summer program as a result of organizations being disqualified?

Mr. COONEY. 500,000.

Mr. OWENS. About 500,000?

Mr. COONEY. Yes. But you have to also bear in mind that, even at its height, the program was not serving all the potentially eligible children. Nine months of the year 11½ low-income children get either a free or reduced-price lunch, about 10 million free lunches and about 1½ million reduced-price lunches. You only have now less than 2 million of those very same children that get—they get a lunch during 9 months of the year, but not during the summer. And USDA studies show that those kids rely anywhere from one-third to one-half of their total daily nutrient intake—they get it from lunch, and they're not getting it in the Summer Lunch Program.

This committee acted very courageously and restored eligibility to private, nonprofit sponsors in the original H.R. 7; but in light of what has happened in terms of budget considerations and so forth, the bill was reduced to a $100 million bill, which I frankly thought

was a very smart and useful thing to do. But one of the things that was cut out was the eligibility for private, nonprofit sponsors.

I also think there was some political reality associated with that decision. It may not have been something we could have gotten through the Senate Agriculture Committee, but until you have an aspect of sponsorship for private nonprofits like community action agencies and churches and Boy Scouts, all of those heinous little groups that, you know, got cut out, you're not going to have expansion.

We've waited from 1981, and it's now 1986. Those kids have not come back. The school systems and the cities and the camps have not been able to accommodate, you know, programs in many places across the country. So until that is done, I don't think you're going to see justice for that particular program, which is, as you know—it serves close to 200,000 kids in New York City, which is—Charlie, I'm not sure. It's about 500,000 to 600,000 lunches served there.

Mr. HUGHES. Mr. Owens, I'd like to just add that there are jobs at stake here, and all of those who have talked about equality, equal opportunity, must realize that the majority of the workers in these programs are women. For those who have talked about the welfare programs, this program provided meaningful jobs for our people.

If this program is cut, there will be thousands on the unemployment line. We're concerned about that. We're concerned about contracting our jobs to private sector people. We've had experience with that in New York. When we did it, we found that that private vendor was serving bologna that was green, and many of our kids were at risk for botulism. I don't think we need that.

I think we need to have the program in an area that allows the safeguarding of the health of our children. When this administration talks about its positive impact on unemployment throughout this country, they ought to be very sensitive to what they are doing to the mothers and the sisters of this country. And we ought to be concerned that they want to pay their way.

So it's just more than a nutritional loss. It's a loss for the guy who drives the truck. It's a loss to the person they got to buy the tires from. It's a loss to the gasoline station. It's a loss to the oil company. It's a loss to the warehousing operation throughout this land. So it isn't just the little children. It's everybody in this situation.

Mr. OWENS. I think it's quite appropriate to note the fact that there are jobs involved in this program and other benefits, just as they are involved in the defense programs; and the whole issue of vested interest, the labeling of groups like yours as vested interest groups is a sophisticated public relations trick that this administration has played. If we have to go along with it, let's just say there are good vested interests, and there are evil vested interests. And those charts represent some evil vested interests over there, a 5-percent increase in the defense budget, also a 5-percent increase in the interest that Americans pay on the debt. Five percent. And we're talking about 5 percent of a large amount of money. Five percent increase in the interest we pay on the debt, as a result of the policies of this administration, which reduced the taxes of corporations and the wealthy while at the same time they were cut-

ting, as you see, the programs that matter most to the people in this country.

So there are evil vested interests at work, and there's something bordering on a systematized national corruption in those charts, if you look at what they really represent: A cutback in Social Security and Medicare, a 3-percent cutback, while at the same time the interest rate jumps forward 5 percent and the defense budget jumps forward 5 percent. And there are jobs and profits very much related to the defense budget, and that's what keeps it going forward.

I think we have to address ourselves to the fact that there is a phenomenon at work here constantly seeking to brainwash the American taxpayers into believing that the evils are on your side. The evils are represented there in the purple for nondefense discretionary expenses and in the entitlements, and that there's some great national good realized automatically when you spend for defense.

There are very sophisticated think tanks and forums and groups constantly at work to brainwash people, and they use pseudo facts or distorted facts. My point is, and the question I'm about to conclude with is: Are you addressing yourself to this? It's going to be a long-term problem.

You have real facts, real truth,. and are you addressing yourself to the problem of the best way to get this truth out, to keep sending messages to the American taxpayer's mind with that truth and to make sure they understand what's really going on?

For example, the relationship between the performance of youngsters in school and the lunch program, is that story clearly being told? When children are fed and they don't have to spend the day hungry in school—have we gotten all of the facts that we could marshaled in support of that argument, that it's meeting a basic need which very much promotes educational performance of youngsters in school?

Have we gotten also figures to show and statistics to show? Are we doing studies? Are we not doing them? Are we planning to do studies to show the long-term correlation between youngsters who are the beneficiaries of the free School Lunch Program—the School Lunch Program, free or for a partial payment, and the health of those youngsters, in terms of the program that has been in existence for sometime now. What impact has it had in terms of the overall health, the preventive care, the preventive impact that it has on youngsters which avoids paying more for health care later on? And ultimately, of course, these youngsters are going to become older and eventually senior citizens. Will we be paying less Medicare and less Medicaid?

These things are not esoteric. They are arguments that the other side should be forced to deal with. They are offering as much evidence as they can in support of their evil vested interests. I think we have to become more sophisticated and do the same.

I would certainly appreciate any kind of material that you have prepared or are preparing to address these issues. It would be useful for us. And, of course, I think you have the wherewithall and the resources to get it out there and keep messaging the taxpayer's mind in the opposite direction so that they can understand

what those charts mean and how we are being swindled into pouring our money into the worst utilization of resources.

Mr. COONEY. We do have some background information which we would be glad to share with the chairman and the minority on the behavior relationship between, you know, food and activity. Merrill S. Read has done a substantial body in background knowledge on this. It's quite short, and we would be glad to share, you know, that kind of information with the committee, and they can decide whether or not they would like to insert something like that in the record.

Gene White also has another aspect of this question that might be useful to you as well.

Ms. WHITE. I'd just like to comment on the domino effect of the drop-out that we are anticipating. Really what we are saying here is that in the National School Lunch Program there would be a total loss of support, cash, and commodities, for about 11 million children today. Now that means 11 million meals.

Now, if 5 to 8 million of those children drop out, you know, we see along with that dropout a major effect on jobs for people, which you have already referenced; but it's also going to affect industry, equipment industry, facilities of all kinds. It's going to affect agriculture.

In looking at some of the schools that we believe are going to close their programs—as you know, we're projecting several thousand schools will close—many of these schools are now feeding senior citizens. So the effect of the loss of a progran in a community is really even broader based than the effect on the child and the educational system, because the School Lunch Program, because of its facilities and because of the expertise of the people who run it, is reaching out to meet many nutritional needs in the community.

In fact, some of these very schools that we're concerned about dropping are operating the Summer Food Service Program that these gentlemen are talking about. Some of them are operating the Child Care Food Program through contractural arrangements with child care centers.

So the domino effect of this is tremendous. Again, in our judgment, the administration has not looked at all on this impact issue. I think it's very significant and has to be raised.

Mr. OWENS. Or they may have looked, and they just don't care.

Mr. HUGHES. Mr. Owens, you mentioned what have we been doing from a public relations point of view. I sit here today and I sat here year after year with my colleagues from the American Federation—I mean, the American School Food Service Association, as a representative of the American Federation of State, County and Municipal Employees, with a coalition.

Normally, you don't find those two groups working together, but we are working together. I sit here with FRAC, Food Research and Action Center and usually work with that kind of group, but we all are coalescing around the same issue.

So that means that we all understand the need of the children. So, therefore, we have joined hands. I think this has shown to the public that unions, management, and other outside institutions can work together in the betterment of a program. New York City and District 20 have seen the emphasis on the paid and reduced price

children. District 20, as you know, is a middle class district in Brooklyn.

We did a study paid for by Local 372 on the Breakfast Program on those students who had breakfast and those students who did not. We found something very interesting. For those students who had breakfast, they were able to sit very still in the classroom and grasp the lesson plan that was being taught. For those who did not have breakfast, was very hyperactive.

I use those two examples by coming to this final one. If anybody in this room who are accustomed to having a cup of coffee at 8:30 or 9 o'clock in the morning one day don't have that cup of coffee and see what your body will tell you. So if it's true of us as fully grown adults, can you imagine what it means to a child who does not have a hot meal or proper nutrition meal in a given day?

Many times these children—these meals are the only meals that they get in a given day. The Senior Citizen Program was mentioned. I think that's another form of reaching out building coalition.

I'm very proud to be part of this magnificent institution called the American School Food Service Association. I think they have some magnificent leaders. I think they've done a wonderful job, and I think they are going to make the difference in terms of this program.

Mr. OWENS. Thank you. No further questions, Mr. Chairman.

Chairman HAWKINS. Somebody, some place, must be falling down, because what you say to us certainly makes sense; but those of us who support those views are the ones who catch hell. Those who vote the other way are somehow protected. Where are the parents in these schools that are closing up or closing down some of these programs? We don't seem to hear from them.

I don't know that you're not doing your job. Some of us some place must not be doing the job, because the only thing that we hear about is what programs and how much programs should be cut, not whether or not they should, but how much are we going to cut these programs in order to reach the target of $144 billion by the end of this year. That's what we are hearing now.

So I think it would be a mistake to conclude that, because we make sense and because we feel that we are right, that somehow this is going to prevail throughout this body. I think you use a phrase, Mr. Hughes, you've got to circle the wagon. I don't know what you mean by that, but it seems like somebody is not circling the wagon in this process, and that we allow the enemies of the programs to somehow be eulogized in the conference committee on H.R. 7 while we are desperately seeking to get the votes.

I know certain members who have turned their proxy over to the vice chairman of the committee who comes in and says I don't care what you say, I've got the proxies, and that's it. And he has the proxies.

Now some of those individuals who turn their proxies over to the vice chairman of the committee certainly, in a way, feel a sense of protection, that they are not being disclosed—their position is not being disclosed, and they will go back home and probably have much easier campaigns, to get reelected than Major Owens who votes right. Just to use him as an example.

I don't know what it is. I don't know how it is that two views can be as different as expressed here today. Then Mr. Bode representing the Department of Agriculture says that no serious consequences are going to occur, and that is the message that's going to be spread by television. There will be a lot of people who will say, what's wrong with those who can afford to pay—what's wrong with making them pay? That sounds really sensible. But that's the message that's going to go out tomorrow, if there's any publicity of this meeting; and I doubt if this hearing will invoke any publicity whatsoever. It's going to be one sided; and so nobody is going to read about what you've told us today.

So it seems to me getting the message across is a problem that we have with us. I think we'd better begin seriously thinking about it before we get into more serious trouble because at the end of the year, the Chair of this committee will be under the obligation to try to reduce programs by 25 or 30 percent.

Now you may ask how are we going to do it in good conscience. But that's what is going to be done. We will be under legal mandate to do it, unless we can reverse this process and do something about it. I'm not despairing, and I'm not pessimistic. Hearings like this, I think, encourage us a lot more than anything else, but let's leave here today with a determination that we have got to do something, and not just assume that individuals who pay lip service to these programs are going to be excused because they'll tell you, the devil made me do it. It's because of Gramm-Rudman that I've got to do it: That isn't true, and I don't think we should take that excuse with individuals——

Mr. COONEY. Mr. Chairman, there are people here today that will be—you know, are from Mississippi and Indiana, and will be seeing various Senators from those States, not mentioning any names specifically. They will be talking to them about H.R. 7.

We also have enlisted the support of a new group called the Advocacy Institute which Michael Perchek, the former Chairman of the Federal Trade Commission, and David Cohen from Common Cause now head. They have agreed to write a letter, and a letter has been written to 220 private attorneys who are lobbyists, who are donating their time to work on issues of social merit.

They have agreed to endorse our fight on H.R. 7. This is a little insensitive, but they did send people to Mississippi to Senator Eastland's——

Chairman HAWKINS. They better send them into Florida also.

Mr. COONEY. Well, I hope that they cover all of the bases. But these are people who are—220 private attorneys that have ageeed to work with us on this. Also Mr. Matz and I work on the steering committee of a group called the Child Nutrition Forum which does send out literature to organizations which do represent more than 15 million people. We will be getting out this message and have gotten out this message.

I share your concern about proxies and who is voting and who's going to sign what and when, but the people in this room are going to be on that Hill today doing precisely that.

Chairman HAWKINS. Well, I certainly want to thank you again and commend the witnesses for their participation. I think it's been

a good hearing, and we certainly are very pleased to have cooperated with you in making the hearing available.

Thank you very much. That concludes the hearing.

[Whereupon, at 12 noon, the subcommittee was adjourned.]

[Additional material submitted for inclusion in the record follows:]

CALIFORNIA STATE DEPARTMENT OF EDUCATION
721 Capitol Mall
Sacramento, CA 95814-4785

Bill Honig
Superintendent
of Public Instruction

March 5, 1986

The Honorable Augustus Hawkins
Member, U.S. House of
Representatives
Rayburn Building, Room 2371
Washington, D.C. 20515

Dear Gus:

I was pleased to learn of the Subcommittee on Elementary, Secondary and Vocational Education's oversight hearing on the impact of the President's FY 1987 Budget request for child nutrition programs.

Enclosed for submission into the hearing record is a detailed analysis of the impact of the President's budget request on child nutrition programs in California both in terms of funding levels and program.

Compared to the FY 1987 levels projected under current law, the President's Budget proposal would result in a $47.6 million reduction, or a 9.5% loss of funds for California. Approximately 914,810 children would be eliminated from the following five programs: National School Lunch Program, School Breakfast Program, Child Care Food Program, Special Milk Program, and the Nutrition Education and Training Program. In addition, 1,176,029 children in the free and reduced price category would have their cash assistance eliminated under the National School Lunch Program and the Child Care Food Program. The increase of commodities proposed under the President's Budget would not compensate a school district's loss of cash flow. In addition, many school districts are limited in their storage space and would be unable to benefit by the proposed commodity increase.

As you know, child nutrition programs experienced a severe budget cut in 1981, twelve times greater than its proportionate share of the Federal budget. California still has not recovered the level of participation in nutrition programs that it had prior to the 1981 budget cuts. Since 1981, total participation has decreased 11.5% in the National School Lunch Program and 4% in the School Breakfast Program.

We appreciate your consistant support for the child nutrition programs, most recently expressed through your dedication to the passage of H.R. 7. Please contact Ms. Miriam Kazanjian, Federal Liaison Officer in our Washington, D.C. office, at 638-0200, if we can provide any further assistance to you on H.R. 7 or the budget.

Best regards,

Bill

Bill Honig

Enclosure

CALIFORNIA STATE DEPARTMENT OF EDUCATION
CHILD NUTRITION AND FOOD DISTRIBUTION DIVISION

FEBRUARY 19, 1986
CORRECTED ON 2/26/86

PROPOSED 1987 PROGRAM LEVEL

Program	Current Law	Proposed Legislation
Child Nutrition Programs:		
Cash Grants to California:		
School Lunch Program:		
Section 4	$ 59,351,771	$ 5,046,285
Section 11	272,875,869	272,875,869
School Breakfast	89,833,033	59,087,040
State Administrative Expense	4,900,302	Unable to measure
Summer Food	California does not administer this program	
Child Care Food	53,017,884	48,429,434
Total Cash Grants to California	$449,978,829	$385,438,628
NETP	$ 421,942	-0-
Commodities	46,399,334	59,902,374
Total Child Nutrition Programs	$496,800,105	$445,341,002
Special Milk Program	$ 1,700,000	$ 629,455
Total Food & Nutrition Services	$498,500,105*	$445,970,457

*Total $498,500,105 should exclude $4,900,302 SAE projected under current law. The loss to California is $47,629,346.

CALIFORNIA STATE DEPARTMENT OF EDUCATION
CHILD NUTRITION AND FOOD DISTRIBUTION DIVISION

FEBRUARY 19, 1986

PROPOSED 1987 FEDERAL BUDGET CUTS
IMPACT ON CALIFORNIA CHILD NUTRITION PROGRAMS

Proposed Cuts	% of Participation	Children Impacted	Fiscal Impact	Fiscal Program Totals
A. NATIONAL SCHOOL LUNCH PROGRAM (NSLP)				
Scope of Program				
Total Number of Sponsors 1,389 Total Number of Lunches Served Each Day 1,888,304				
1. Eliminates the cash and commodity assistance to the paying child (child whose family's income exceeds 185% of the poverty index)[1]	36% of NSLP	705,815 ADP[4] (average daily participation)	Loss $40,807,683	
2. Eliminates the base cash assistance to children eligible for free and reduced price meals	69% of NSLP (58% free; 7% Reduced)	1,317,489 ADP	Loss $33,270,598	
3. Increases cash commodity assistance to children eligible for free and reduced price meals			Gain $32,685,186[2]	
Total Loss to NSLP				$41,473,095[2]
B. SCHOOL BREAKFAST PROGRAM (SBP)				
Scope of Program				
Total Number of Sponsors 665 Total Number of Breakfasts Served Each Day 497,748				
1. Eliminates the base meal cash assistance to the paying child (child whose family's income exceeds 185% of the poverty index)[1]	9% of SBP	38,474 ADP[4]	Loss $ 745,993	
Total Loss to SBP				$ 745,993

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Proposed Cuts	% of Participation	Children Impacted	Fiscal Impact	Fiscal Program Totals
C. CHILD CARE FOOD PROGRAM (CCFP)				
Scope of Program				
Total Number of Sponsors: Centers: 498 with 1,870 sites; Family Day Care Homes: 80 with 9,338 homes				
Total Number of Lunches Served Each Day 105,050				
Total Number of Breakfasts Served Each Day 72,412				
1. Eliminates the cash and commodity assistance to the paying child (child whose family's income exceeds 185% of the poverty index)	24% of CCFP (Centers Only)	46,510 ADP[4]	Loss $ 2,802,564	
2. Eliminates the base cash assistance to children eligible for free and reduced price meals	78% of CCFP (59% Free, 17% Reduced) (Centers Only)	58,540 ADP	Loss $ 2,485,652	
3. Eliminates the special fund for state Child Care Food audits. Approximately 450 of the 578 CCFP sponsors would go unaudited according to the organization-wide audit requirement because CCFP is the only source of federal funds.			Loss $ 806,151	
4. Requires an income eligibility test for participants in Family Day Care Homes. While the exact impact cannot be determined at this time, there are currently 48,298 children in participating Family Day Care Homes.			No way to measure Fiscal Impact	
5. Increases cash commodity assistance to children eligible for free and reduced price meals			Gain $1,376,596	
Total Loss to CCFP				$ 3,917,771
D. SPECIAL MILK PROGRAM (SMP)				
Scope of Program				
Total Number of Sponsors 643				
1. Eliminates the cash assistance for milk served children whose family's income exceeds 130% of poverty index		62,605 ADP[4]	Loss $1,870,545	
Total Loss to SMP				$ 1,870,545

Proposed Cuts	% of Participation	Children Impacted	Fiscal Impact	Fiscal Program Totals
E. NUTRITION EDUCATION AND TRAINING PROGRAM (NETP)				
Scope of Program				
Total Number of Local Training Grants 78				
Nutrition Education Serves Through Meal Grant Program:				
84,600 Children				
79,016 Adults				
1. Eliminates the Nutrition Education and Training Program (NETP). To date, more than 24,000 Nutrition Education curriculum guides and resource manuals have been published and distributed.	or	96,000[4]	Loss $ 421,942	
Total Loss to NETP				$ 421,942
F. SUMMER FOOD SERVICE PROGRAM				
1. Eliminates special per meal administrative reimbursement rates and modifies the general reimbursement rates in the SFSP.			Unable to measure fiscal impact	
G. STATE ADMINISTRATIVE EXPENSE [3]				
1. Offset for 1987, the State Administrative Expenses (SAE) by the amount of carryover.			Unable to measure fiscal impact	
GRAND TOTAL				$47,629,346*

*COLA: No COLA's have been built into these projections for reimbursement rates.

[1]This subsidy is sometimes referred to as a grant-in-aid to schools to support the basic infrastructure of the school cafeteria.

[2]Assumes schools have sufficient storage and freezer space and that they can use the the increased commodity allotment.

[3]Each $1M loss to local assistance funds in 1987 results in approximately $12,000 loss to State Administrative Expense funds (or approximately $571,000) in 1989.

[4]Total number of children eliminated from child nutrition programs: 914,810.

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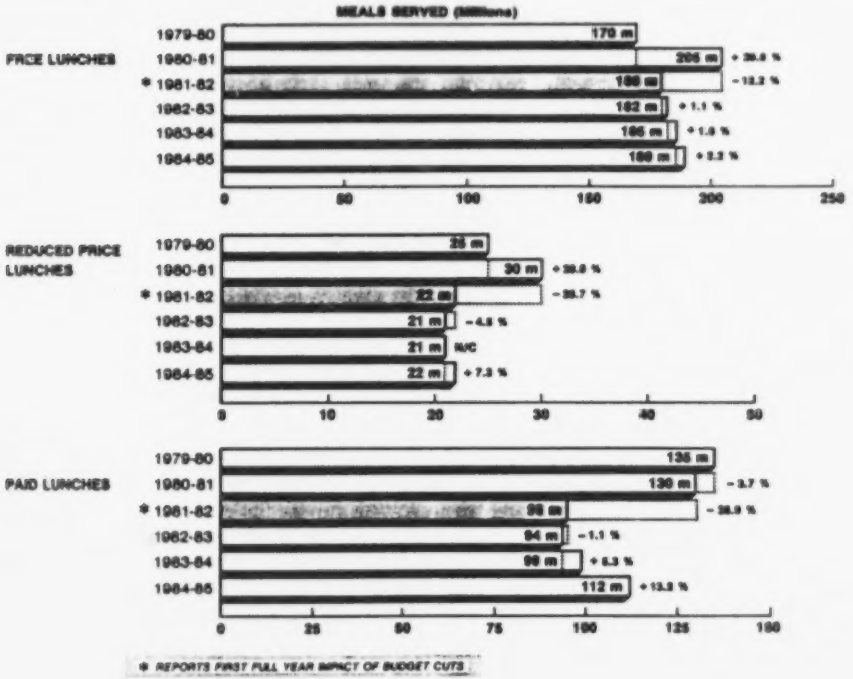
California Department of Education

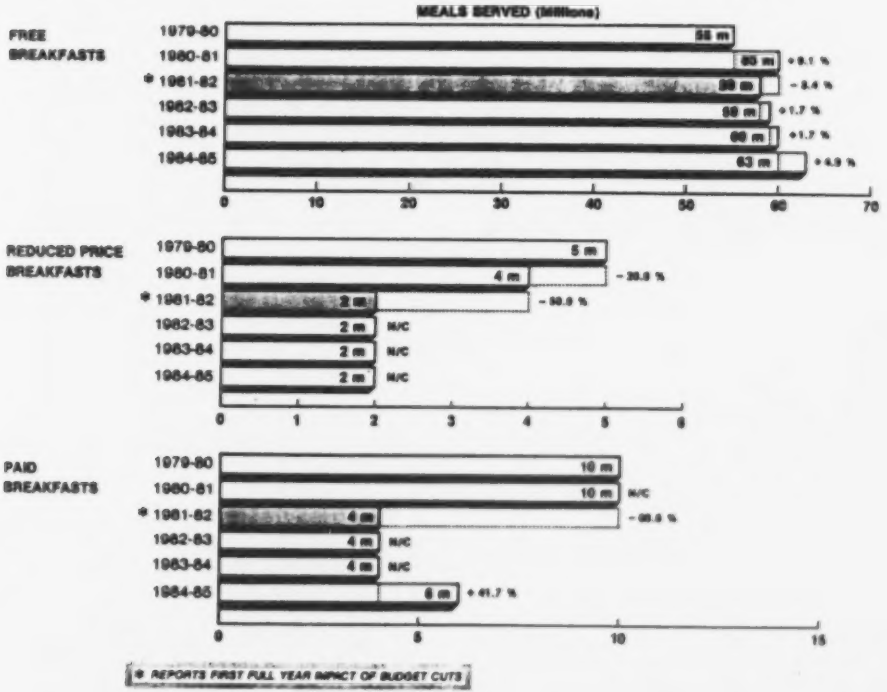
PARTICIPATION TRENDS FOR SCHOOL LUNCH PROGRAM



* REPORTS FIRST FULL YEAR IMPACT OF BUDGET CUTS

California Department of Education

PARTICIPATION TRENDS FOR SCHOOL BREAKFAST PROGRAM



Georgia Department of Education
Office of Administrative Services
Twin Towers East
Atlanta, Georgia 30334

Charles McDaniel
State Superintendent of Schools

H. F. Johnson, Jr.
Associate State Superintendent

March 7, 1986

The Honorable Augustus Hawkins, Chairman
Committee on Education and Labor
U. S. House of Representatives
B-346C Rayburn House Office Building
Washington, D. C. 20515

Dear Representative Hawkins:

It was a pleasure to attend the committee's hearing on the administration's proposed cuts in the 1987 Child Nutrition Budget. Your committee's support and leadership for good nutrition for all children is farsighted and commendable.

The following statement reflects the impact in Georgia of proposed budget cuts.

NATIONAL SCHOOL LUNCH PROGRAM
School lunch in Georgia is an integral component of a quality basic education. A nutritious meal at school contributes to the overall effectiveness of the day's learning activities. The National School Lunch Program is the closest thing this country has to a national nutrition policy and is, in such a small world today, at least a national issue if not global. At a time when developing countries and foreign allies are studying to initiate nutrition programs for their children at school, America considers cancelling their 40-year old program.

<u>The administration's proposed '87 budget would eliminate cash and commodities to support lunches served to students above 185% of the poverty line.</u>

Discussion:
This income level is represented by children from families of four with total household income in excess of $19,703. School children in this category received 56% of all school lunches served in Georgia's schools in School Year 84-85.

Sale prices to Georgia's students are among the lowest in the nation. This is due to high labor productivity, on-site food preparation, and professional supervision. The 1983 National Evaluation of the School Lunch Program cited sale price as the primary factor influencing whether children buy a lunch at school. If proposed cuts were implemented, sale prices would increase without

regard to any increase in food or labor costs, a minimum of 25¢ to 30¢. In School Year 81-82, sale prices increased by 15¢ due to federal budget cuts of approximately 12¢ per meal effecting paying students. Some 23,000 (5.5%) of the 418,000 paying students dropped out of the National School Lunch Program. No significant sale price increases have been experienced in Georgia schools since this time. The average sale price in School Year 85-86 is 60¢.

Impact:
Schools in districts serving less than 25% of their lunches to free/reduced students would be faced with deciding between continuing to participate in the National School Lunch Program with its heavy administrative/regulatory requirements or withdrawing from the federal program, thus substituting other standards, which may not include the provision of free/reduced-price meals for the minority of its students and which may vary significantly from standards in other states. Many of these school districts are large in total number of children served meals and even the small percentage of free/reduced-price recipients represents a large number (30,000 or 11 percent) of free/reduced-price recipients in the state. The total number of schools in Georgia which fall into this category is 402 of 1800. These 402 schools serve 190,215 lunches daily. In addition to paying students no longer having access to the National School Lunch Program in these schools, some 30,000 or 11% of students currently receiving free/reduced meals in Georgia would also no longer have access to nutritious lunches free or at a reduced cost should these schools drop out of the program. (See attached.)

Fifty-six percent of the 833,333 students who will eat lunches daily in Georgia this year, or 467,000 paying students, will pay a minimum of 25¢ to 30¢ more for lunches in 1986-87 or will drop from the program, either not eating or eating less-nutritious foods:

Current Number Paid Students	Percentage Estimated to Drop From Paid Lunch Program	Number Students Estimated to Drop From Program
467,000	12 (based on 5.5% documented drop with a 15¢ sale price increase in 1981-82	56,040

*Paid Students Remaining in Paid Lunch Program	Number Lunches Annually	Additional Cost to Students/Families
410,960	73,972,800	$18,493,200 to $22,191,840 (net impact of a tax increase)

* Contingent upon all schools opting to maintain participation in the National School Lunch Program.

The Honorable Augustus Hawkins
Page Three
March 7, 1986

Funds paid to schools on behalf of children above 185% of poverty help with the overhead cost of maintaining a program for all students. Paid students do pay the cost (food and labor) of the meals they eat minus any local and state funding.

Impact:
Federal dollars paid to Georgia schools on behalf of lunches served to paying students equal:

84,000 lunches x (12.5¢ or 14.5¢ cash) = approximately $11,136,000.

Impact:
A reduction in the number of paid lunches served and a shift from purchased foods to donated foods in free/reduced lunches (due to additional proposed cut) will impact upon the business economy in Georgia.

An increase in donated foods for free/reduced lunches will be offset by a decrease in the purchase of foods. Schools serving free/reduced lunches will buy $7,920,000 less foods from Georgia vendors in order to use extra donated foods received for free/reduced lunches.

Additionally, if a minimum of 12% of paying students do not eat lunch at school, purchased foods amounting to 55¢ per paid lunch, or $5,547,960, will not be purchased from Georgia vendors.

TOTAL LOSS TO GEORGIA ECONOMY IN FOODS PURCHASED: $13,467,960

Impact:
A reduction in the number of paid lunches served will result in the need to decrease the number of labor hours currently used to produce meals in the state.

10,087,200 paid lunches @ 14 lunches/labor hours (state recommended minimum) = 720,514 hours or 615 full-time employees.

TOTAL LOSS OF EMPLOYEE POSITIONS IN SCHOOL LUNCH: 615 (6% of current workforce)

Additionally, the administration's proposal lowers the cash rate for free/reduced lunches by 12+ cents and increases the commodity rate to 24+ cents for these meals. (See comments above regarding purchased foods, also.)

Discussion:
Although this proposal nets out nationally in terms of federal food support, the effects for Georgia are as follows:

Impact:
Net loss of donated food to Georgia equals $2,160,000:

Annual # Free/Reduced Lunches	Change in Commodity Rate	Gain/Loss
66,000,000	+12¢	$ 7,920,000
Annual # Paid Lunches	Change in Commodity Rate	Gain/Loss
84,000,000	-12¢	$10,080,000
	NET DONATED FOOD LOSS:	$ 2,160,000

The increased allocation of donated foods will not compensate for the reduction in cash for free/reduced meals. Donated foods cannot be used to pay the electric bills or to buy needed replacement equipment for kitchens as cash is used now. This provision will create a grave imbalance between foods available statewide to schools - leaving some to a few cans of beans to serve only to a few free/reduced students and leaving others with perhaps more foods than they can effectively use and store.

NUTRITION EDUCATION AND TRAINING

Impact:
The administration's '87 budget proposal eliminates the Nutrition Education and Training Program. Georgia receives approximately $95,000 annually to promote nutrition education through existing curriculum. Over the past years these funds have provided effective summer training to teams of teachers, administrators, and school lunch managers and supervisors in 7-10 school districts, annually. Funds also support the cost of three wellness seminars annually, emphasizing the relationship between school lunch, nutrition, and wellness. Parent groups have also received mini-grants to assist them in promoting nutrition education through their school's National School Lunch Program. This is a small but extremely effective program and bears a most significant relationship to the overall effectiveness of the school lunch program. At a time when 7 of the 10 chronic diseases suffered by Americans are diet-related, this program is critical to the successful diet-education of Americans and increased funding to the original level of 50¢ per child is warranted. The health of Americans is an issue of national defense. Allied health groups such as the American Heart Association and American Cancer Society have recognized the education process as the only "preventive" vehicle to avoid chronic disease.

SCHOOL BREAKFAST PROGRAM

The administration's proposed '87 budget would eliminate cash and commodities to support breakfasts served to students above 185% of the poverty line.

Discussion:
Of the 25,000,000 breakfasts served annually at school in Georgia, 77% of the meals are served free or reduced-price to students. This program, although optional, is available in one-half of the schools in Georgia. There is an exhibited need, however, for nutritious, low-cost breakfasts for students who for various reasons might find it beneficial to have breakfast at school. Students who pay for school breakfast may well be from the typical family where both parents work and the traditional "morning meal" is not readily available.

Breakfast makes a significant contribution to effective education in that students who consume a nutritious breakfast are more attentive and less disruptive in class.

Breakfast in Georgia schools consists of the minimum federal meal pattern plus three one-ounce servings of meat/meat alternate per week.

Impact:
34,500,000 paid breakfasts x 9.75¢ = $ 3,363,750 in federal funds lost to Georgia students.

44,000 Georgia students/families will pay a minimum of an additional $3,450,000 for breakfasts at school or young students might go without the important meal.

STATE ADMINISTRATIVE EXPENSE

The administration's proposed '87 budget would questionably bypass authorizing legislation and would not allow states with carryover funds access to these funds as authorized. Additionally, states would through proposed regulations be restricted from accessing their year's base authorization as described in the Child Nutrition Act.

Discussion:
Numerous states, including Georgia and three others in the southeast, will, despite high levels of state maintenance of effort, face large administrative fund deficits because of large and increasing regulatory requirements and the decline or stabilization of grant funds upon which formulas are applied. There is little room for outreach in the National School Lunch Program in the southeast due to high student participation.

Administration of the school lunch and breakfast program, child care food program, nutrition education and training program and donated foods program in Georgia costs annually approximately $1,800,000 or considerably less than 1.1% of the grant funds and foods administered by the state. Few other federal or state programs can boast of such a small administrative budget.

I am confident that Congress will make farsighted decisions regarding the health and security of this nation, and will act fairly in addressing the budget deficit.

Thank you.

Sincerely,

Annette Bomar (AB)

Annette Bomar, Administrator
School and Community Nutrition Services

AB:kp
cc: Mr. H. F. Johnson
Miss Josephine Martin

The National PTA
700 North Rush Street
Chicago Illinois 60611-2571
(312) 787-0977

Office of Governmental Relations
1201 16th Street N.W.
Washington, D.C. 20036
(202) 822-7878

TESTIMONY

SUBMITTED FOR THE RECORD

TO THE

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

BY

MILLIE WATERMAN

National Vice President for Legislative Activity

THE NATIONAL PARENT-TEACHER ASSOCIATION

for Hearing held

February 27, 1986

Washington, D.C.

Mr. Chairman, when the School Lunch program was created in 1946, it was a response to the fact that large numbers of World War II recruits (undergoing physical exams) were found to be malnuourished, and the program was thus intended "as a measure of national security" to improve the nutritional status of all children, not just those from economically disadvantaged families.

The lunch program provided a small subsidy (Section 4 cash) to schools for each nutritionally-balanced meal served to a child, regardless of the child's family income. Twenty years later (in 1966) Congress observed that, although the non-need based subsidy allowed schools to lower the prices of meals to some extent, lunch prices were still too high for many poor children to participate. Thus, Congress approved a need-based subsidy (Section 11 cash) to schools to supplement the non-need-based subsidy, so that low-income children could obtain lunches at a reduced price or free. Children from families with incomes under 130% of poverty (now $13,845 for a family of four) qualify for free lunches, while those from families with incomes between 130% and 185% of poverty (now $19,703 for a family of four) qualify for reduced-price lunches. Current per-meal reimbursement rates are as follows:

SCHOOL LUNCH PROGRAM-JULY 1, 1985 to June 30, 1986 (in dollars)

	Sec. 4 Cash	Sec. 11 Cash	Total Cash	Sec. 6 Comm.	Total
paid	.13*	0	.13	.12	.25
reduced-price	.13*	.78**	.90	.12	1.02
free	.13*	1.18***	1.30	.12	1.42

*If more than 60% of lunches were served at free or reduced price, then .15.

**Reduced-price subsidy must be .40 less than free rate payment, and schools may charge reduced-price students up to .40 per lunch.

***No charge to students is permitted in the "free meal" category.

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Other child nutrition programs have been enacted as well, including: the School Breakfast program, which (like the lunch program) provides low-cost or free meals to students during the school year; the Summer Food program, which assists schools, local governments, and summer camps in providing free meals to children in high-need areas during the summer months; the Child Care Food program, which assists child care centers and family day care homes in providing low-cost or free meals to children year-round; a commodity distribution program, which provides the commodities for the food programs; the Nutrition Education and Training program, which trains personnel and educates children regarding nutrition; and the State Administrative Expenses program, which assists states in meeting the costs of administering the child nutrition programs. Two related programs to feed children are: the Special Milk program, which assists schools not participating in other nutrition programs in providing low-cost or free half-pints of milk to children; and the Supplemental Food for Women, Infants, and Children program (commonly referred to as WIC), which assists community agencies in providing food to low-income women who are pregnant, infants, and children.

Child Nutrition programs were cut by about 1/3 in 1981. Though these programs constituted only 0.4% of the federal budget, they sustained 4.0% of the 1981 federal budget cuts -- ten times their share. As a result of the 11-cent-per-meal reduction in the school lunch reimbursement rate, two thousand schools serving nearly three million children (including one million low-income children) were forced to drop out of the Lunch program. The recent student participation history of the Lunch program is as follows:

School Lunch Participation (in millions)

FY 1979 - 27.0	FY 1983 - 23.1
FY 1980 - 26.6	FY 1984 - 23.3
FY 1981 - 25.8	FY 1985 - 24.0
FY 1982 - 22.9	FY 1986 - 23.6

The President's FY 1987 Budget submitted to Congress February 5 slashes child nutrition programs by over $775 million from the 1987 current services level of $4.6 billion.

The major proposals in the Administration's budget for child nutrition (providing $721 million in budget "savings") are:

o Elimination of the entire 25-cent non-need-based subsidy in the School Lunch program for meals served to students from families with incomes at 185% of the poverty level or over, and elimination of the comparable non-need-based subsidy in the School Breakfast and Child Care Food programs.

o An increase in the commodity subsidy for the need-based meals (free and reduced-price) to compensate for the commodity loss from the non-need-based subsidy elimination, and an equivalent decrease in the cash subsidy. (This maintains current U.S. commodity purchase levels.)

o Implementation of a means test in the family day care homes part of the Child Care Food program.

o Termination of USDA administration of the Summer Food and Child Care Food programs in states which do not currently administer these programs, but are not prohibited by state law from doing so. (If a state does not have such a prohibition, USDA would "contract out" the administration of these programs to the private sector.)

The impact of these major proposals would be devastating, because:

o The 25-cent non-need-based subsidy of the School Lunch program is not a grant to middle- or upper-income families, it is a per-meal grant to schools to support the basic infrastructure of the program (equipment, salaries, etc.). If this assistance were eliminated, as the President has proposed, schools (which are prohibited by law from providing meals of lower nutritional quality) would have to raise meal prices for "paid" lunches, thus causing a decrease in "paid" lunch participation, and an increase in per-meal costs. This would force schools to drop out of the Lunch program.

In over 25,000 schools (nearly one-third of those participating in the Lunch program) which together serve over 1/2 of the 23.6 million students served, more than 60% of the lunches served are "paid" lunches. These schools would be most at risk of being forced to drop out of the lunch program, which would eliminate lunches for <u>all</u> children at those schools, including needy children (up to 40% of those previously participating at those schools), who can not otherwise afford any lunch.

Since less than 9% of the federal cash subsidy for the School Lunch program and less than 2% of the federal cash subsidy or the School Breakfast program is non-need-based, a non-need-based subsidy is a relatively small price for keeping the school meal programs operational.

o The increase in the remaining commodity subsidies and decrease in the remaining cash subsidies would put still more financial pressure on already-depleted school coffers (causing more schools to drop out of the program), since commodities can not be used to pay salaries, buy equipment, or meet any other overhead costs of operating the programs. Further, cash currently provides additional flexibility in menu planning.

o Implementing a means test in the family day care homes part of the Child Care Food program would place unnecessary and excessive administrative burdens on these child care providers. Further, if such providers can not participate in the food program, they will lose their primary incentive to become and remain licensed to operate a child care program (and licensing ensures that child care programs meet certain quality standards).

o Currently, nine states do not administer the Summer Food program (but are not prohibited by state law from doing so): Alaska, California, Kansas, Michigan, Minnesota, New York, North Dakota, Oregon, and Wyoming. Two states do not administer the Child Care Food program (New York and Oregon), but are not prohibited by state law from doing so. "Contracting out" the administration of these programs to private sector enterprises, whose main concern is the profit margin of the company rather than the nutritional health of the children, would undoubtedly be detrimental to the programs.

The other child nutrition budget proposals would:

- o Cut $21 million by reducing the per-meal subsidies in the Summer Food program.
- o Cut $5 million by eliminating the Nutrition Education ad Training program.
- o Cut $19.6 million by offsetting the FY 1987 funds for the State Administration Expenses program by the amount of unspent funds carried over from the prior year.
- o Cut $7.9 million through a change in the Child Care Food program audit system.

In related feeding programs for children: the President's budget severely reduces funding for the Special Milk program from $16.3 million to $1.4 million, by eliminating subsidies for milk served to children from families with incomes over 130% of the poverty level; and the proposed budget also cuts WIC funding by $15 million, thus reducing the caseload by 27,000 (though the program currently serves less than half of those eligible to participate).

Overall, the child nutrition budget proposals are particularly ill-conceived in light of the following:

- o Any potential economies (saving dollars without cutting services) were accomplished as a result of the 1981 cuts (e.g. creating the "offer versus serve" option for schools).
- o Over 22% of U.S. children now live in poverty.
- o Well-educated children are the best investment in the future of our nation, but studies have found that hungry children do not learn very well.

Therefore, the 5.6 million-member National PTA urges you to oppose these cuts.

The American Dietetic Association
Office of Government Affairs
1667 K Street, NW
Washington, DC 20006
(202) 296-3956

March 13, 1986

The Honorable Gus Hawkins
Chairman, Education and Labor
Committee
U.S. House of Representatives
Washingotn, D.C. 20515

RE: School Nutrition Programs

Dear Mr. Chairman:

I am writing on behalf of the 50,000 members of the American Dietetic Association to express our opposition to the Administration's proposed cuts in the child nutrition programs.

As the testimony before your Committee indicated, if the Administration's proposals are enacted some 10,000-15,000 schools and 5 to 8 million children would be dropped from the National School Lunch Program. The American Dietetic Association is deeply concerned about the nutritional consequences of this dramatic change in policy.

The National Evaluation of School Nutrition Programs, released by the Department of Agriculture in April, 1983, found the "Students participating in school lunch have higher intakes of energy and most nutrients than students who do not participate in any of the school nutrition programs." The report went on to say:

> "It is worth noting that of the many nutrients for which Lunch Program participants show superior intakes, four (vitamins A and B-6, calcium and magnesium) are ones that typically are deficient in the diet of the school age population. The superiority of the School Lunch is reflected in higher daily intake of nutrients for the general school age population and for all the population subgroups that were examined." (Emphasis added.)

In short, Mr. Chairman, the National School Lunch program is much more than an income security program. It is vital to the health and well being of the nation's children --- regardless of their family income. Let us not forget that the School Lunch Program was enacted in 1946 after discovering that many young men who failed their physicals during the Second World War suffered from nutrition deficiencies.

The National School Lunch Program, and specifically the grant-in-aid to local schools provided through Section 4, was not the outgrowth of a Great Society program, but rather the result of specific medical findings. These findings have now been reaffirmed by the USDA National Evaluation of School Nutrition Programs. We therefore urge the Committee and the Congress to reject the proposed child nutrition budget cuts.

We would appreciate your making this letter a part of the hearing record for February 27.

Sincerely,

Anita Owen

Anita Owen
President, American
Dietetic Association